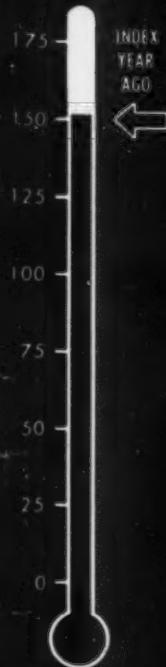


BUSINESS WEEK



Britain's Macmillan: For an "island economy" — a smaller world role (page 34)

A McGRAW HILL PUBLICATION

JAN. 19, 1957

TWENTY-FIVE CENTS

H₂O₂—a Basic Product

Millions of bottles of hydrogen peroxide are sold in drug stores, cosmetics and medicines. They are as well known as aspirin. The expression, "peroxide of the language," means hydrogen peroxide as the mild disinfectant for cuts, burns or stains.

Although the drug and cosmetic uses of hydrogen peroxide continue to thrive, they now account for only a minor part of the total national consumption.

Shell
H₂O₂.
insecticide

New Production by Shell Chemical

Because of growing industrial needs, the production of hydrogen peroxide has been increased tremendously in the past ten years. The new Shell Chemical plant in Norco, Louisiana, has a design capacity of 500,000 pounds a year.

Shell Chemical, itself, is a large user of hydrogen peroxide—dieldrin and endrin—require hydrogen peroxide in their preparation to provide a necessary epoxide linkage. It is expected that the demand for hydrogen peroxide will continue to grow with the expansion of rocket research. Undoubtedly there will be further industrial expansion to keep pace.

Most Widely Used Bleach

Hydrogen peroxide has been used as a bleach in many industries for many years. More than 90% of all the hydrogen peroxide produced in the United States is used for bleaching. Now that hydrogen peroxide is more widely used, more industries are turning to it for bleaching. Wool, silk, feathers, fur, hair, leather, and paper are some of many other materials that are bleached with H₂O₂. The wood pulp industry, in particular, consumes the greatest quantities of hydrogen peroxide. Not only does it depend on hydrogen peroxide for its bleaching, but it has been extremely successful in bleaching wood pulp which is normally dark in color. Expensive, H₂O₂ bleached wood pulp is now being used on a large scale by several paper companies in magazines, newspapers, and books. It is also used in the production of sheet form paper used in the production of paper. Applied to the sheet, it is used both for brightness and for stabilizing long storage periods. Other applications include

Light reading is always best

PRINT on dull, unbleached paper and the sharpest eyes find the reading tough because the contrast is poor. But bleach the paper white with H₂O₂—your old friend "peroxide"—and your eyes can race across the page.

As used in papermaking, hydrogen peroxide offers many other advantages: It bleaches pulp with minimum weakening of finished paper. It creates a paper that stays white longest. It enables the paper industry to use *all* of the

valuable pulp, bleaching without destroying.

Advantages such as these tell why demand for H₂O₂ continues to grow wherever industry needs this oxygen-rich chemical—in textiles as well as paper, metal finishing as well as chemical processing. Shell Chemical, looking to tomorrow, is preparing to help fill these needs with a new plant for the manufacture of pure hydrogen peroxide at Norco, Louisiana.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture
NEW YORK



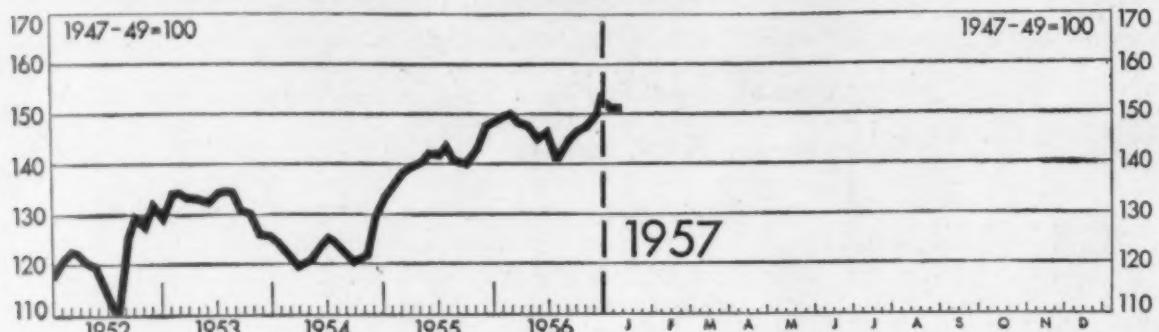
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	Latest Week
91.6	150.1	155.4	152.0	*152.1

PRODUCTION

Steel ingot (thous. of tons).....	1,281	2,437	2,525	12,519	2,517
Automobiles and trucks.....	62,880	181,777	195,168	108,781	177,343
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$67,376	\$73,264	\$68,506	\$62,716
Electric power (millions of kilowatt-hours).....	4,238	11,594	12,220	11,671	12,327
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	7,014	7,355	7,417	7,396
Bituminous coal (daily av., thous. of tons).....	1,745	1,854	1,773	1,020	1,492
Paperboard (tons)	167,269	296,030	281,309	102,280	277,588

TRADE

Carloadings: miscellaneous and L.C.I. (daily av., thous. of cars).....	82	73	72	69	68
Carloadings: all others (daily av., thous. of cars).....	53	49	51	45	49
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	94	226	112	94
Business failures (Dun & Bradstreet, number).....	22	245	249	222	256

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	403.7	439.4	438.2	435.1
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	100.6	100.2	99.0	98.2
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	74.2	82.6	83.3	83.6
Print cloth (spot and nearby, yd).....	17.5¢	20.5¢	19.0¢	18.8¢	18.6¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	155.7	168.8	171.3	171.3
Scrap steel composite (Iron Age, ton).....	\$20.27	\$53.17	\$64.50	\$60.83	\$59.17
Copper (electrolytic, delivered price, E & M, lb).....	14.045¢	44.205¢	35.955¢	35.965¢	35.925¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu).....	\$1.97	\$2.26	\$2.34	\$2.37	\$2.36
Cotton, daily price (middling, 1 in., 14 designated markets, lb).....	**30.56¢	35.09¢	33.14¢	†33.32¢	33.36¢
Wool tops (Boston, lb).....	\$1.51	\$1.76	\$2.20	\$2.23	#

FINANCE

90 stocks, price index (Standard & Poor's).....	135.7	352.9	369.6	368.6	363.3
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	3.61%	4.37%	4.48%	4.50%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	3/4-1%	3%	3% %	3% %	3% %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	58,421	58,266	†57,629	57,770
Total loans and investments, reporting member banks.....	††71,916	85,710	86,473	†87,634	86,198
Commercial and agricultural loans, reporting member banks.....	††9,299	26,396	30,811	†31,137	30,759
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	29,686	25,884	26,774	26,272
Total federal reserve credit outstanding.....	23,888	26,375	26,633	27,524	26,809

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month	
Average weekly earnings in manufacturing.....	December	43.82	\$79.71	\$82.42	\$84.05
Employment (in millions).....	December	55.2	64.2	65.3	64.6
Unemployment (in millions).....	December	2.3	2.4	2.5	2.5
Bank debits (in millions).....	December	††85,577	\$200,523	\$185,223	\$201,875
Housing starts (in thousands).....	December	55.9	76.2	80.0	64.0
Exports (in millions).....	November	\$812	\$1,321	\$1,657	\$1,515
Retail sales (seasonally adjusted, in millions).....	November	\$6,541	\$15,808	\$16,050	\$16,358
Retailers' inventories (seasonally adjusted, in billions).....	November	\$9.8	\$23.6	\$23.3	\$23.5

* Preliminary, week ended January 12, 1957.
† Revised.

‡ Estimate.
Ten designated markets, middling 1 in.

§ Date for 'Latest Week' on each series on request.
** Insufficient trading to establish a price.

THE PICTURES—Capital Press Service—140; Heller Helicopter 81 INP—34 (left); Herb Kratovil—88; McGraw-Hill World News—152; Ed Miley—32, 45; Bob Phillips—155; Progressive Architecture—106, 107, 108; Gene Pyle—66; Fred Swartz—176, 177; Swedish Nat'l Travel Office—151 (top); Swedish News Exchange—151 (middle, but.); Juan Sydlew—133; UP—(cover); WW—34 (right), 63; Mohammed Youssef—28, 29, 30.

B.F.Goodrich report:



Hurricane of sand roars through hose

B. F. Goodrich improvements in rubber brought extra savings

Problem: To clean rough spots off metal, the workman is using a blast of sand that roars out of a hose nozzle at terrific speed. Efficient for cleaning, but the hurricane of sand was wearing holes through every kind of hose tried on this job.

What was done: When a B.F.Goodrich man heard about the trouble, he recommended a hose, specially developed by B.F.Goodrich to stand this rough treatment. Extra-soft rubber is used for the lining of this sand blast hose, so the sharp, destructive sand simply bounces off the rubber instead

of digging in and cutting it to shreds.

Savings: The B.F.Goodrich hose has been on this job 3 years now—longer than any hose used before—and it shows no sign of wearing out.

Extra benefits: It is much lighter than sand blast hose used to be, more flexible, easier for workmen to handle. And there's no danger of workmen being shocked or jolted by static electricity, generated by sand rushing through the hose. Antistatic rubber carries away electric charges as fast as they build up.

Where to buy: Your B.F.Goodrich

distributor has exact specifications for the B.F.Goodrich hose used in this sand-blasting job. And, as a factory-trained specialist in rubber products, he can answer your questions about all the rubber products B.F.Goodrich makes for industry. *B.F.Goodrich Industrial Products Co., Dept. M-848, Akron 18, Ohio.*

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READERS REPORT



Different Midgets

Dear Sir:

As exclusive American distributors of the BMW Isetta "300" we refer to your article Brazilian Midgets [BW—Dec. 22 '56, p28].

You state that "The Romi-Isetta, made in Brazil . . . also is being sold in New York." The Brazilian cars are not sold in New York. The ones that are sold in New York are manufactured by the Bayerische Motorenwerke AG, Munich, Germany, which have a similar outside appearance but have more horsepower and are adapted to American conditions. . . . The Brazilian manufacturer is prevented by agreement from selling in the American market. . . .

FRED R. OPPENHEIMER

PRESIDENT

FADEX COMMERCIAL CORP.

NEW YORK, N. Y.

Degree Worship

Dear Sir:

Reader Benson's letter [BW—Dec. 29 '56, p5—Luring Manpower] is timely and appropriate. If industry and government are as short of engineers as they claim, it would behoove both to make a survey of their personnel to ascertain the number of engineers on non-engineering assignments. Such a survey would no doubt reveal a surprising waste of engineering manpower.

Just recently a large concern in Texas ran a display advertisement in several newspapers for an expeditor with an engineering degree. It would be interesting to know the caliber of the graduate engineer worthy of the name who, in these days, would settle for a job as ex-

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They eventually settled on Republic Hot Rolled 4340 Alloy Steel. This fine steel not only resists

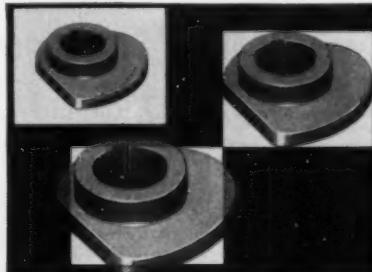
fatigue, but also is able to take a high torque without a permanent set. Fatigue failure is now practically non-existent.

Alloy steels provide an outstanding combination of qualities essential to designing smaller sections to move or carry heavier loads with no sacrifice of strength or safety. They resist fatigue, shock and stress. Respond uniformly to heat treatment, producing hard, wear-resistant surfaces around tough cores. This tough, integral structure provides greater strength with minimum weight.

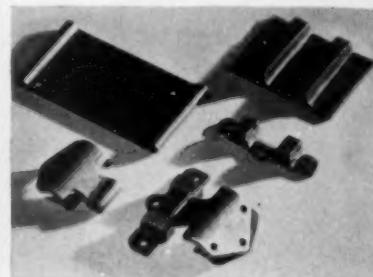
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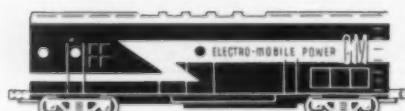
But spinning reserve is *costly* reserve. By letting Electro-Mobile Power supply reserve requirements you not only eliminate running losses, but investment per kilowatt is lower. Efficiency of present sta-

tions will improve, too, because generators can be run at a higher load factor.

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Increased demand of 5000 kw at central station picked up in less than 60 seconds by four 1000 kw Electro-Mobile units.

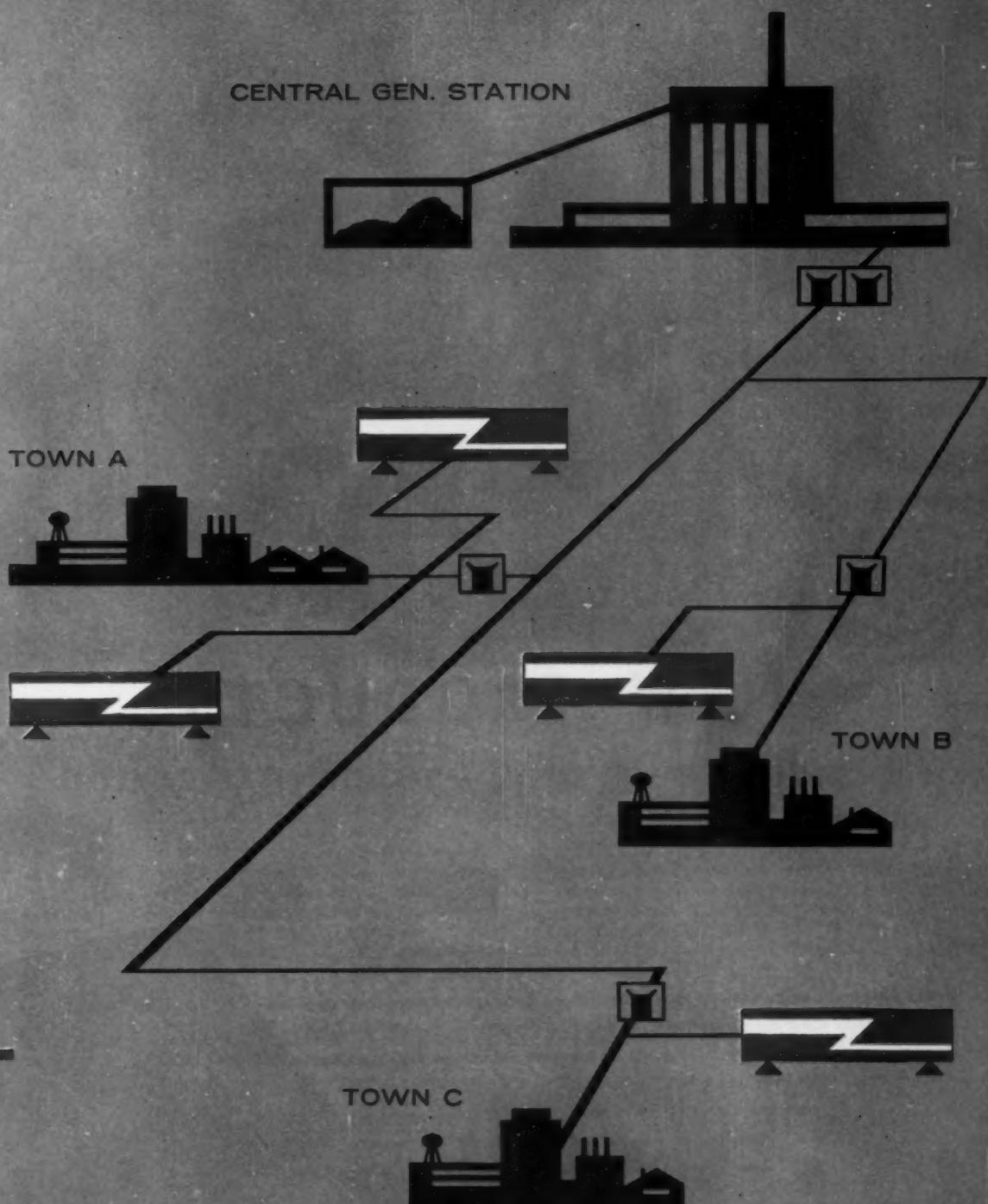


RAIL CAR—1000 kw units for use on sidings or placed on piers for semi-permanent use.



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This simple diagram suggests how Electro-Mobile Power located at points of load can effectively reduce reserve requirements and costs. Assuming a 1000 kw line loss at time of peak from the central station, only four 1000 kw EMP units are needed to pick up a 5000 kw demand. Naturally, line loss will vary according to the make-up of the system. However, an analysis of your peak line losses will show what savings can be expected.



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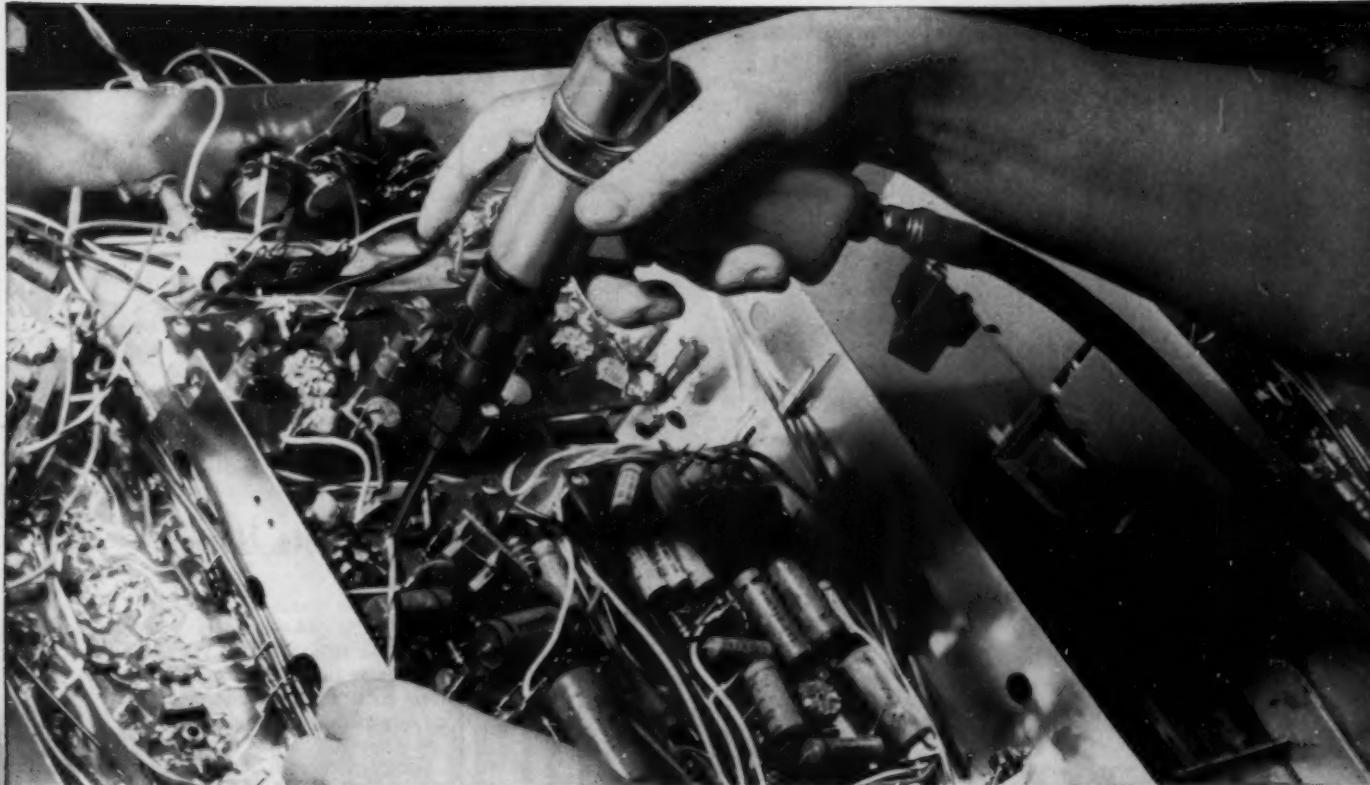
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Once it was a job for slow, hand-soldering—making the hundreds of connections needed for the "innards" of a TV set. Today, RCA does it faster—better—with an ingenious Keller air tool that wraps wires around terminals . . . needs no solder . . . creates a lasting connection that withstands corrosion, vibration. Result: your new color TV set will be produced at a saving—to

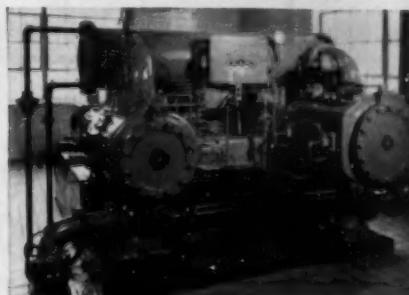
RCA and to you, as a color television customer.

Keller "Wire-Wrap" tools are only one of the almost magic Keller Tool time-savers that industry uses today. Wherever these tools are used, production goes up while costs go down. It's the Gardner-Denver way of making air do more—at lower cost. Keller Tool Division, Gardner-Denver Company, Grand Haven, Michigan.

Air drives screws, too—fastening printed circuits to RCA color TV chassis with a Keller Tool screw driver. Fast, accurate, non-fatiguing.

"Buttoning up" the job—color TV unit being fastened in cabinet on final assembly line with Keller Tool right-angle nut-setter, air operated.

Gardner-Denver air compressor provides plenty of low-cost air for industry . . . keeps 24-hour schedules, requires only nominal maintenance.



GARDNER - DENVER

THE QUALITY LEADER IN COMPRESSORS, PUMPS, ROCK DRILLS AND AIR TOOLS
FOR CONSTRUCTION, MINING, PETROLEUM AND GENERAL INDUSTRY

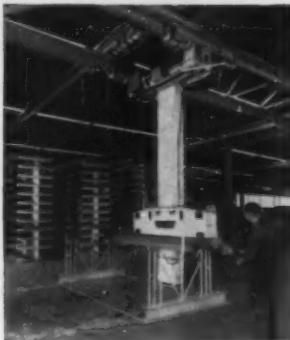


HOW'S THIS FOR STEEL STORAGE!

American MonoRail engineers, working with Hawkridge Brothers Company, designed this system for storing bars, rods and other long steel shapes.

Note the extremely narrow aisles and maximum height of racks. Bars and rods, 20-22 feet long, are placed in pans 18 feet long. The American MonoRail Stacker transfers these pans to either side of an aisle for storage.

Photos: Courtesy of Hawkridge Brothers Company, Waterbury, Conn.



American MonoRail Stacker lowers a banded bundle of bars over prongs which ingeniously splits bands, lets bars roll into trough for pick-up in a tray



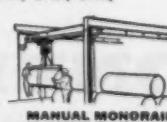
MonoRail Stacker forks support bar in saw. Saw with extension rolls to any convenient spot in the warehouse.

AMERICAN



MONORAIL COMPANY

13132 ATHENS AVENUE • CLEVELAND 7, OHIO
(IN CANADA—CANADIAN MONORAIL CO., LTD., GALT, ONT.)



Member of Materials Handling Institute - MonoRail Association

pediter in the purchasing department.

This leads to comment on the growing cult of "degree worship." The new crop of personnel managers, fresh out of college with a degree in sociology or something akin thereto, demands a degree on the part of applicants for many jobs not heretofore dignified by such aristocratic personnel. It doesn't seem to make much difference what the degree is, nor in what, nor where it was obtained—just so it is a degree. This, too, is a waste of manpower and in a very great many instances bars an otherwise highly competent man from a job.

L. E. MITCHELL
JOHNSON CITY, TENN.

Inadequate Name

Dear Sir:

Talking about the ICBM [BW—Dec. 22 '56, p14—Readers Report] I'd like to say a few words. The progress in the field of missiles is so great that the conceptions are outmoded.

The name ICBM is not adequate for the power it holds. It has a cosmocatastrophic power and . . . should be called cosmoblema or geoblema. . . . And we have ready a new name for a sky missile—uranoblema—when in a few years floating airplanes or stations in the skies are going to be used for launching lighter missiles to keep enemies of peace in [their place] and later for super-special delivery of mail.

CONSTANTINE CHELOS
CHICAGO, ILL.

No Synthetic

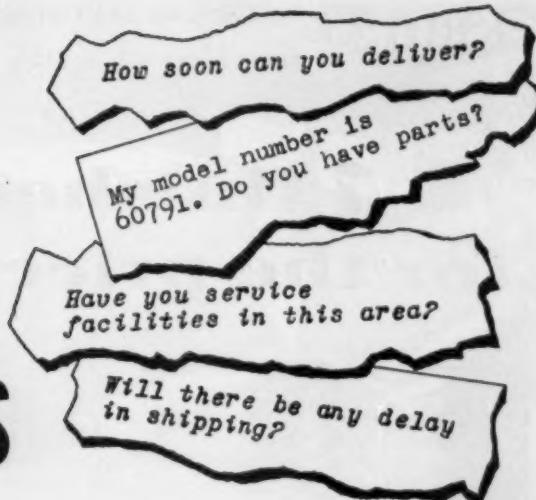
Dear Sir:

You announced the forthcoming introduction of three new synthetic fiber carpets: Acrilan, Dynel, and Tycora [BW—Dec. 29 '56, p92—Marketing Briefs].

My reason for writing this letter is to correct an erroneous impression conveyed in this report concerning Tycora. Tycora has been referred to as a new synthetic fiber, when actually it is a trade name for a textured yarn, and is not a new synthetic fiber. (A textured yarn is a continuous filament yarn having surface characteristics which cause it to differ from the uniform texture and appearance normally associated with continuous filament yarn.)

The Tycora type yarn is a product of a crimp texturing process. In the manufacture, the yarn is

TURN INQUIRIES



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It's quick and economical

When you get an inquiry from out-of-town, reach for your telephone. That way you get to the prospect before competitors—while he's still interested. You can answer his questions, write the order quickly, personally.

A popular idea. A profitable one, too. Why not try it yourself?

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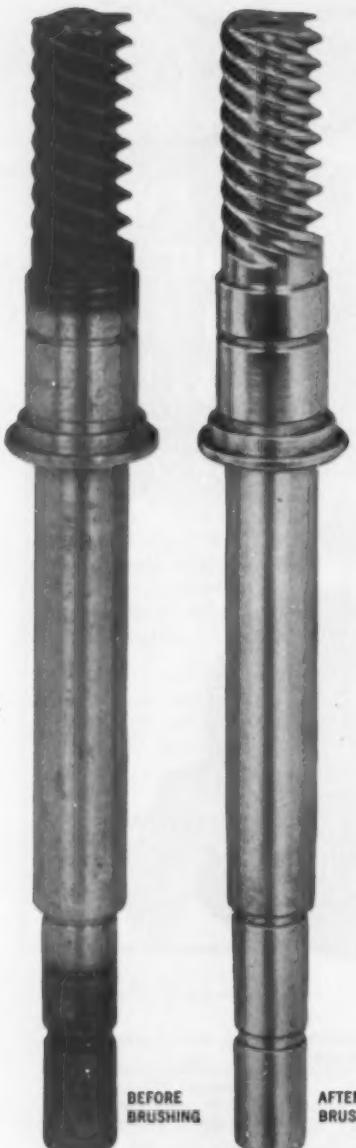


LONG DISTANCE RATES ARE LOW

	Daytime Station-to-Station Calls	
	First Three Minutes	Each Additional Minute
For example:		
Cleveland to Detroit	55¢	15¢
Buffalo to Boston	\$1.10	30¢
Washington, D.C., to Indianapolis	\$1.25	35¢
Dallas to Chicago	\$1.50	40¢

Add 10% Federal Excise Tax

7 finished for the price of 1



COMPLEX business machines have as many as 25,000 moving parts. Although most of these parts must meet exceptionally high quality standards, production economy is also an imperative consideration.

Take the armature shaft shown on the left, as typical. Osborn Brushmatic methods improve the finish of the worm gear from an original 30 down to 4 microinches, at 1/7 the cost of the former method. *Seven parts finished for the price of one.*

This is another example of how Osborn power brush finishing methods have earned industry's confidence. An Osborn Brushing Analysis, made at no obligation to you, will point out how you can use Brushmatic finishing to achieve finer finishes at lower cost. Write *The Osborn Manufacturing Company, Dept. A-90, 3401 Hamilton Avenue, Cleveland 14, Ohio.*



Major manufacturer of business machines uses six different Osborn Brushmatic 3A machines to finish parts in lot quantities of 300 to several thousand.

Osborn Brushes

passed through a heated stuffer box, where the individual fibers are permanently crimped. . . .

LEONARD MAUER
TEXTILE ENGINEER
NEW YORK SALES REPRESENTATIVE
THE SARAN YARNS CO.
ODENTON, MD.

Quick Information

Dear Sir:

. . . I think your Figures of the Week found in each issue of BUSINESS WEEK is excellent. I never fail to look at these figures. They are excellent for getting the feel of current business activities. . . .

I feel that the addition each week of a figure representing the total of private savings according to the last available information would be an excellent idea. If you see fit to include this [figure] I think it would make one of the top sources for quick information.

W. D. TEST

FACTORY MANAGEMENT
SEARS, ROEBUCK & CO.
CHICAGO, ILL.

• Figures on total savings are available on a quarterly basis only. Figures on time deposits of commercial banks, however, are available weekly but are not an accurate measure of the savings trend.

More Than Intelligence

Dear Sir:

I am afraid that the person who wrote the Trend "Guard Against Communism" [BW—Dec. 22 '56, p 120] did not really finish putting it on paper, because intelligence alone can never defeat Communism or any other type of "ism."

Communism is a creed or ideology which has strong appeal to the frustrated. It is my observation that most people who are frustrated are in this shape because they have no strong principle by which to live. Being a believer in Christianity and attempting to live by the rules of Christianity, it is my sincere belief that Christianity is the only answer in the fight against Communism. When I say Christianity I mean consciously practiced in business, at home, behind the wheel of an automobile, and at small gatherings as well as in church on Sunday. Christianity, practically speaking, is unselfish love. . . . It disturbs me when a magazine as worthwhile as yours appears to have missed the mark so widely. . . .

A. Q. CAMPBELL
NASHVILLE, TENN.



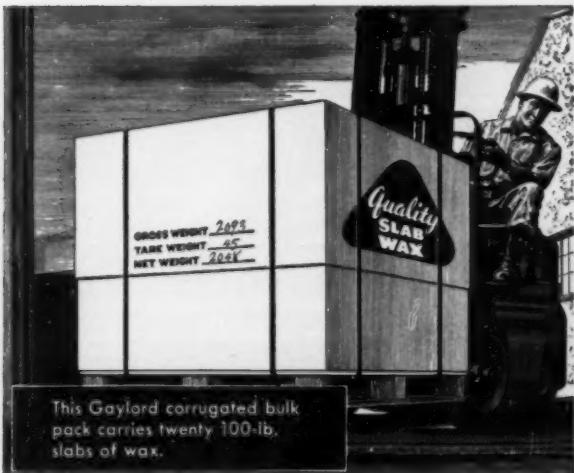
Each of these Gaylord Drumpaks holds 2,000 lbs. of bulk chemicals, replaces twenty 100-lb. units.

... save 20 to 25 manhours per car ...



Here's a Gaylord "package" of six corrugated boxes—containing sets of controls for home laundry dryers.

... handling time costs cut 65% ...



This Gaylord corrugated bulk pack carries twenty 100-lb. slabs of wax.

... cuts manhours in weighing and loading ...



One Gaylord bulk box replaces 5 smaller containers—holds 1,000 pounds of plastic pellets.

... save space, save time in palletizing ...

CUT COSTS WITH CORRUGATED BULK PACKS



From chemicals to component parts, Gaylord corrugated bulk packs and Drumpaks are saving money, time and handling for shippers. What's your line?

Call your nearby Gaylord packaging engineer.

CORRUGATED AND SOLID FIBRE BOXES • FOLDING CARTONS • KRAFT PAPER AND SPECIALTIES • KRAFT BAGS AND SACKS

GAYLORD CONTAINER CORPORATION • ST. LOUIS

DIVISION OF CROWN ZELLERBACH CORPORATION



WHAT INDUSTRY GENERAL NEW METALLURGICAL

Headquarters of the Metallurgical Products Department of General Electric Company, 11183 E. 8 Mile Blvd., Detroit 32, Michigan. Carboloy Cemented Oxide and carbides are made here. G-E permanent magnets and specialty resistors are manufactured in the Edmore, Mich., plant.



CAN EXPECT FROM ELECTRIC'S PRODUCTS DEPARTMENT



**The new G-E Metallurgical Products Department
is the successor to the Carboloy Department.
Here's what this change will mean for you.**

Since 1928, the General Electric trademark "Carboloy" has been identified with a brand of cemented carbide. But today, Carboloy, cemented carbides are just one of a broad range of products which bear this famous trade name.

Cemented Oxide, the Machinability Computer, toolholders, and diamond dressers — these are on the market today. Tomorrow, you will see other long-awaited developments.

The above products are primarily for the Metalworking Industry. In addition to these, the Metallurgical Products Department also manufactures several products which find use in numerous other industries. These products carry the General Electric trademark: permanent magnets, vacuum-melted alloys, hevimet, thermistors, and Thyrite, varistors. And on the industrial horizon are G-E man-made diamonds.

Thus, the new departmental name symbolizes the expanded scope of this Department's activities. Equally important, it indicates how vitally interested the General Electric Company is in pushing back the frontiers of metallurgy.

Many of the products now manufactured by the Metallurgical Products Department are the result of fundamental investigations carried out at the General Electric Research Laboratory in Schenectady. Many new contributions to machining and forming methods and equipment design, through carbides and these other products, are the work of G-E Engineers.

And, when new metallurgical products and manufacturing techniques are developed by the General Electric Company, they, too, will come to industry from the Metallurgical Products Department.

Progress Is Our Most Important Product

GENERAL  **ELECTRIC**



**When this man
Lowers your cost*...
it's NO ACCIDENT...he's a Safety Director**

***He Prevents Accidents Like This:**

At a metal working plant, eye injuries represented 27% of the total first aid cases . . . 14% of all lost-time accidents and 29% of the company's compensation costs over a 6-year period. Due to the effort of the Safety Director the plant installed a 100% eye protection program which has since cut first aid eye cases to 14.9% of all first aid cases . . . lost-time eye cases to 2.8% of all lost-time cases . . . and eye injury compensation to 5% of all compensation costs. What's more . . . the plant esti-

mates that at least three eyes were saved and more than \$15,000 in compensation from "injuries that were prevented"!

A safety director administering a sound eye protection program is an unbeatable combination for reducing costs. The program alone can pay for itself in less than six months — and the safety director's services can be priceless when you figure what he can save on ALL types of industrial injuries. Ask an AO® Safety Representative to show you how little an eye protection program costs.



One of AO's new F5100 Series metal Safety glasses with "Ultrasonic Vision". Write for illustrated brochure.



SOUTHBIDGE, MASSACHUSETTS
BRANCHES IN PRINCIPAL CITIES

BUSINESS OUTLOOK

BUSINESS WEEK
JAN. 19, 1957



Prices still are going up. This is particularly true right now of prices consumers feel—things like sugar, pork, fuel oil, gasoline. Publicly at least, Washington still fears inflation (page 33).

Yet there are cross-currents that must not be overlooked.

Some key industrial raw materials are shaky. Scrap steel has tumbled from its recent peak; copper and aluminum scrap are down, too.

Easiness in the metals can be traced to two major causes:

- The pinch on oil, which is forcing a creeping cutback in West Europe's manufacturing, hence in demand for raw materials.
- The relatively disappointing auto output (BW—Jan. 12 '57, p19), which lessens supply stresses in this country.

Slackening demand for metals is likely to be a short-run affair. It might, in fact, be little more than momentary.

Europe's needs will begin to come back whenever the oil situation is straightened out. And, on the home front, auto output may spurt as we near the season of heavier sales.

Meanwhile, though, purchasing agents must remain on the alert.

Any change in manufacturers' attitudes on inventories would make a big difference in the shape of the business and price curves.

For, in 1956's final quarter, factories were adding to inventory at an annual rate of more than \$6-billion. Subtract that much from our growth rate and there wouldn't be much fun left in the boom.

Beyond that, take away the inflating influence of inventory accumulation and you'll puncture the price balloon in a hurry.

Wall Street was busy revising its appraisal of shares of the metal producers this week. There wasn't any helter-skelter dumping, but steels, aluminums, and coppers all suffered to some extent.

Natural rubber will be easier to come by over the next few months (at least until its price gets more competitive with synthetic).

Not so many new tires are needed to equip 1957 autos as had been expected. Even more to the point, though, original equipment needs in Europe are down sharply due to reduced new-car output, and gas rationing is minimizing the need for replacement tires.

Petroleum producers have their long-coveted price rise (BW—Jan. 12 '57, p29), but they still aren't 100% sure they can make it stick.

Steadily rising costs of finding oil and getting it out of the ground convince them they are entitled to the current rise—and more. The problem, though, is what will happen after the Suez emergency.

Oil refiners, particularly the "independents" who buy all or most of their throughput, have to find ways to pass along the higher cost of crude to their customers.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JAN. 19, 1957

On the "money product," gasoline, this isn't so easy.

The oversupply of gas still exists. In fact, this week's severe weather doubtless increased the surplus by curtailing driving. Thus the boosts of $\frac{1}{2}\text{¢}$ to 1¢ a gal. may just start gas wars.

However, the cold helped at another point. Fuel oil users, faced with paying more or going cold, were easy to deal with.

Soaring quotations for heavy burning oils—the kind Europe needs most to keep essential industries running—are bound to result in criticism. Between higher prices and inflated ocean shipping rates, there will be charges of profiteering on our allies' extremity.

Moreover, when Middle East oil once more flows freely, it will erode the price structure for heavy fuels—here and abroad.

—•—
Disappointment over 1956's gain in productivity probably is overlooking some pretty important points:

- First and foremost, we've registered what gains there are in the face of a real slump in two of our biggest industries, autos and housing. And it hasn't been any tea party for textiles, either.
- Then, too, factory employment is only $\frac{1}{2}\%$ higher than a year ago.
- Finally, hours worked per employee were slightly lower late in 1956 than in 1955 (about offsetting the small rise in employment).

Manufacturing lines that should be getting the best gains, due to new plant and equipment, have been getting them.

Over-all production was up only 2% late in 1956 compared with the end of 1955. Yet metal fabricating, with smaller man-hour input, was 5% ahead (and it had precious little help from autos, which ended 1956 still considerably behind their rate at the close of 1955).

And machinery, with man-hour input about $2\frac{1}{2}\%$ higher, was running about 8% ahead of its rate at the close of 1955.

—•—
Employment in all kinds of work at the end of 1956 was the highest ever for the time of year. This is the more remarkable because there was a year-to-year drop in farm employment of about 800,000.

Actually, the number of jobs in nonfarm work grew by about 1.1-million from December, 1955, to the end of 1956.

This was enough to take up the slack in agriculture, add about 350,000 to total employment, and hold unemployment very nearly as low as it had been at the end of 1955.

—•—
Here are a couple of 1956 "records" that, after allowance for price changes, become rather unimpressive:

- Total construction, valued at $\$44\frac{1}{4}$ -billion, for a 3% gain and a new high. But costs rose at least 5%. Moreover, private construction's dollar gain was only 1%—a real volume loss.
- All retail sales, valued at $\$191.4$ -billion for a gain of 3.2%. This implies a very small unit gain, if any at all.

ENJAY BUTYL

Fabulous new rubber keeps new cars weather-tight

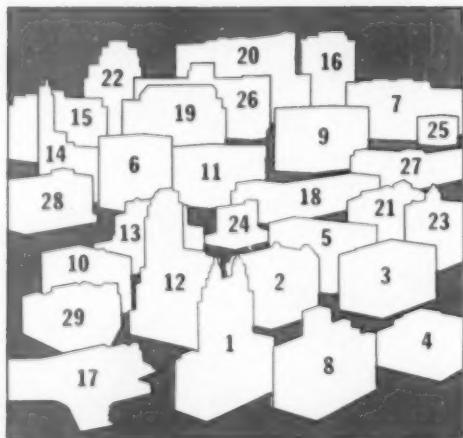


Bigger than ever, more curving than ever, today's wrap-around windshields present greater-than-ever problems in sealing out wind and rain. Enjay Butyl rubber solves these problems with ease. In dozens of parts throughout an automobile, Butyl rubber cushions or quietes the ride. Because it outperforms natural and other types of rubber in so many ways, Enjay Butyl makes hundreds of everyday products better.



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If all of the Hilton Hotels around the world were placed together, a great new city would be born. With its huge skyscrapers, modern buildings and 26,010 rooms, "Hilton City" would have a population far greater than many important municipalities. Its inhabitants would comprise every creed and nationality. This fabulous city would be a self-sufficient community—with living accommodations ranging from lavish apartments to attractive single rooms . . . restaurants, cocktail

lounges, coffee houses and famous rooms for dancing and entertainment. It would also include a wide variety of shops and services, sumptuous private function facilities, garages, swimming pools, tennis courts and gardens. With new hotels under construction in leading world capitals, this Hilton City of Fine Hotels is ever-expanding in magnitude and rapidly growing in international significance.

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At home and abroad a friendly welcome awaits world travelers at each of these distinguished Hilton Hotels in twenty-five key cities. This spirit of genuine friendliness is the distinguishing hallmark of Hilton hospitality—an inherent quality each of the hotels shares with the entire group.

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EXECUTIVE OFFICES: THE CONRAD HILTON, CHICAGO 5, ILL.

"UPSTATE, N.Y."



OLEAN, N. Y. is one of many "Upstate, N. Y." communities that has everything an expanding company needs to grow and prosper. Served by main line railroads and highways, it is strategically located for overnight shipping to over half the nation's markets . . . including Canada. And the St. Lawrence Seaway will bring world trade to its doorstep via the Buffalo harbor.

Located in the foothills of the Alleghanies, it's an ideal place to live. Entire "Upstate, N. Y." offers a healthy year-round climate for both recreation and work. Add plenty of space for new plant construction, adequate labor supply, excellent labor-management cooperation and low-cost Niagara Mohawk electricity, and you have the ideal expansion spot. For more about "Upstate, N. Y." write Earle J. Machold, President, Niagara Mohawk Power Corp., Syracuse, N. Y.



At left is an artist's concept of Olean, N. Y. and one of the widest business streets in the world. Map shows the New York State Thruway flowing through the heart of the Niagara Mohawk System.

powered by
NIAGARA
MOHAWK

NIAGARA MOHAWK

Budget Hits a Peacetime Peak

● But rise is essential, Eisenhower says, to meet defense costs, serve a growing population.

● Military spending gets 70% of increase; roads, schools, welfare services also take big chunks.

● Administration looks for booming incomes to boost revenues, bring surplus—but not enough for tax cut.

Pres. Eisenhower this week told Congress what Modern Republicanism requires in the way of legislation, and how much it will cost in the next fiscal year. The bill is steep: \$71.8-billion as figured in the traditional budget or \$73.6-billion if outlays from the new highway trust fund are included (chart, pages 26-27).

Either way, it's the largest peacetime expenditure in history. And it is needed, Eisenhower told Congress, to meet the rising costs of national defense and of serving a population that will top 172-million during the fiscal year starting next July.

All the same, tax revenues are high, too. When the current fiscal year began, a surplus of \$700-million was forecast in the traditional budget. Taxes on boomtime incomes of corporations and individuals are boosting this surplus to \$1.7-billion, and a \$1.8-billion surplus is predicted for 1957-8.

Still, the budget jump will meet opposition in Congress; and even Treasury Secy. George M. Humphrey leaves no doubt he's unhappy (page 41).

I. Guide to Budgets

With each passing year it gets harder to understand talk about the federal budget—not only because of the astronomical dollar figures but also because the so-called budget is used in variations by government officials, businessmen and economists. There are three main types of budget figuring:

Traditional budget. This is the one that's most commonly referred to—the forecast of operating expenses and operating income. It doesn't include the trust funds, such as social security or the new highway fund. Income and outgo of these funds never appear in the traditional budget.

Traditional budget plus highway trust fund. If businessmen, particularly those interested in construction, want to measure the real effect of federal spending, they must look beyond the regular budget to see also what is being spent out of the new highway fund. The traditional budget shows only part of the true public works outlay.

Cash budget. This is the variant that the economists look at. It is made up of the traditional budget plus all the trust funds. Thus it measures the flow of all money from the public to the government, from the government back to the public. This is the only "budget" that shows, for example, social security tax revenue on the one hand, and benefits paid out on the other.

In the year ending June 30, the cash budget is expected to show that the government has collected \$3.5-billion more from the public than it has paid out. Federal operations, therefore, are mildly on the side of monetary restraint—they are taking away more than they give the public. In 1957-8, the cash budget surplus is expected to decline to \$3-billion as payments from the trust funds rise.

● **Authority to Spend**—To these ways of measuring the flow of money into and out of the Treasury, another useful guide is often added: the amount of new obligatory authority requested by the President. This doesn't indicate the amount of spending in any given year, but it stakes out the general trend of spending in years ahead.

The rise that Eisenhower requested for 1957-8 chiefly signifies that his proposed programs will continue to rise in cost for years to come. The President asked Congress for \$73.3-billion of new obligatory authority, compared with a request of \$70.5-billion a

year ago and \$63.2-billion two years ago.

● **Outgo**—Spending in the current fiscal year is running \$193-million below budgeted amounts, chiefly because of a dip in the cost of supporting farm prices. This year's spending is now expected to wind up at \$68.9-billion in the traditional budget, and highway trust fund expenditures would add another \$1.1-billion.

Spending in the 1957-8 fiscal year will rise \$2.9-billion in the standard budget, to a new total of \$71.8-billion, and the highway trust fund will pump out \$1.8-billion.

II. Taxes and Debts

Total tax revenue for the current fiscal year is now expected to reach \$70.6-billion. That's \$828-million higher than the estimate made last July when the year began. The overrun is in personal income taxes, which are yielding \$38.5-billion; corporate taxes are just about as predicted, at \$21.4-billion.

Tax revenues are counted upon to go up another \$3-billion in 1957-58, continuing a sensational rise that parallels the boom. Without increases in the rates, the tax take has risen every year since 1953-54, when it amounted to \$60.4-billion.

The Treasury is basing its hopes for increased receipts next year on a predicted rise of \$15-billion in taxable personal income and \$1-billion in corporate profits over the next 18 months. ● **But No Cut**—At the same time, tax leaders in both Congress and the Administration see no chance of a tax cut. They say the budget surplus isn't big enough.

Lawmakers are having their usual early-season fun with tax cut ideas. For instance, Michigan Republican Reps. Charles E. Chamberlain, Alvin M. Bentley, and Gerald R. Ford, Jr., said they would introduce bills allowing deduction of commuting expenses from taxable income. Taxpayers who drive their cars to and from work would especially benefit.

The full weight of White House and Congressional leadership leans against such proposals. No major change stands a chance of adoption unless

economic conditions shift drastically. Even the \$600-million proposal of tax relief for small business, backed by Eisenhower during the campaign, seems to have been sidetracked as too costly.

- **Earmarked Taxes**—In addition to the taxes that go into the general accounts of the Treasury, taxes for the trust funds will grow next year.

The highway trust fund, for example, gets the revenues from special excise taxes on truckers and other highway users. The 1957-58 revenues from these taxes are expected to be \$645-million higher than this year's. Other trust fund taxes, mostly for social security, will go up about \$876-million.

Thus, something like \$1.5-billion in additional trust fund receipts will flow into the coffers along with an extra \$3-billion in tax revenues for the traditional budget.

- **Shaving the Debt**—With the third straight year of budget surplus in sight, the public debt is slated for its third straight reduction. After rising sharply through the Korean War, to a peak of \$274.4-billion in June, 1955, it was cut \$1.6-billion last fiscal year and will be cut \$2.2-billion by the end of next June. The new fiscal year is then counted on to reduce the debt another \$1.4-billion.

Eisenhower expressed hope that it won't be necessary to ask Congress for a temporary rise in the \$275-billion debt ceiling this summer, as has been done in recent years to cover the period when tax receipts are low.

III. Military Spending

As predicted (BW-Dec. 22 '56, p28), military spending will rise \$2-billion next fiscal year. This increase makes up about 70% of the total rise in budget.

In the \$43.4-billion total spending for national security (chart), Defense Dept. military functions account for \$38-billion, and the rest is made up of items for atomic energy, foreign military aid, strategic stockpiling, civil defense.

- **Chief Boosts**—Major increases in spending will come in:

- Procurement and production of major items, up from \$11.7-billion this year to \$12.2-billion next.

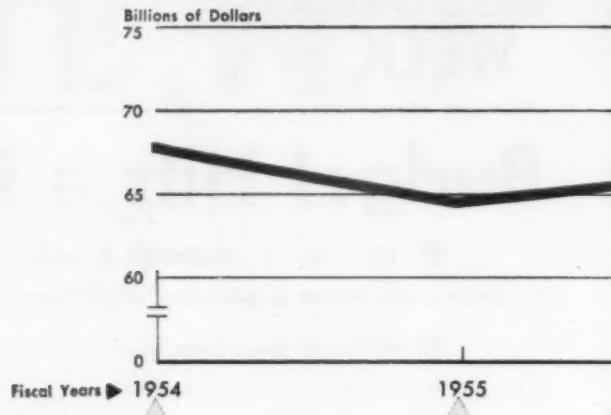
- Operations and maintenance—\$9.1-billion this year, \$9.6-billion next.

- Military personnel costs—\$10.7-billion this year, \$11-billion next.

In hardware procurement, missiles go up from \$1.5-billion to \$2-billion, shipbuilding from \$928-million to slightly over \$1-billion, while aircraft drops \$49-million—it's still high at \$6.7-billion, but this is the fourth consecutive year-to-year cut in spending.

- **Qualitative**—The \$2-billion hike in military spending doesn't reflect an increase in the number of men and weapons. In fact, the Air Force's 137-wing goal will be cut to 128, one of the

How Federal Spending Has



Year by year, here's what the money has

National Security	\$47.0	\$40.7
Foreign Econ. Aid	1.5	2.0
Social Services	2.6	2.7
Civilian Pub. Works	1.5	1.6
Veterans	4.2	4.5
Farmers	2.5	4.4
Int. on Public Debt	6.5	6.4
All Other	2.0	2.3

Data: Federal Budget.

Army's 18 divisions will be deactivated, and the authorized military force is to be reduced 50,000 to a new level of 2.8-million.

- The hike in spending stems from these factors:

- Complex new weapons and equipment—missiles, supersonic aircraft, and electronics—cost more than the military goods that are being replaced. But this, of course, is what makes possible the cuts in the size of the force. The new weapons represent more firepower and combat efficiency.

- The general rise in prices that hits the military establishment just as hard as industry.

IV. Civilian Spending

What Eisenhower calls "needed public assets" account for the biggest part of the spending rise on the civilian side (in the chart, they are identified as public works). These have more than doubled since fiscal 1956, which was the year of lowest total spending under Eisenhower.

The shift in the Administration's attitude toward public works can be traced in its recommendations for school construction. When Eisenhower first took office, he guardedly approved of

some sort of aid, but did not propose anything definite. The next year he called for a study of school needs. The following year he asked for federal underwriting of local school bonds, an idea that Congress rejected.

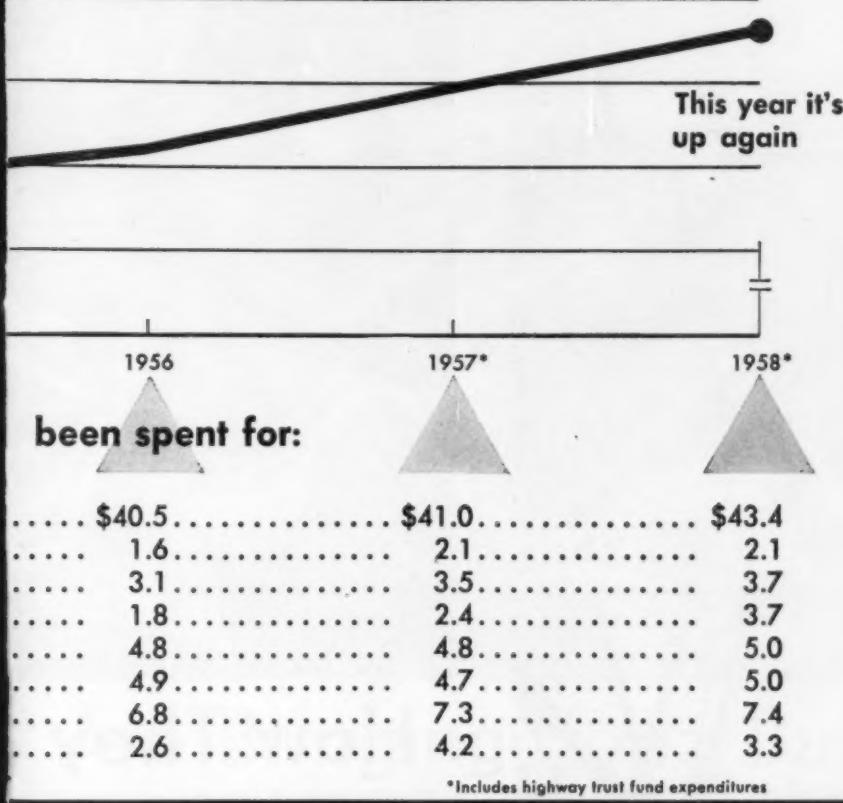
Then last year Eisenhower asked for \$1.2-billion, mostly for direct construction grants, to be spread over five years. Congress failed to act in a row over integration. Now the President wants the same program crowded into four years, and asks Congress for \$451-million of obligational authority in fiscal 1958.

- **All Along the Line**—Similar trends have occurred with other types of public works. Waterway development and power projects administered by the Corps of Engineers accounted for \$406-million last year; for 1958, Eisenhower asks \$520-million. Irrigation projects and multipurpose dams under the Bureau of Reclamation required \$124-million last year; Eisenhower recommends \$160-million for 1958.

Construction to aid air transportation, supervised by the Civil Aeronautics Administration, came to \$26.8-million last year; Eisenhower requests \$140-million for 1958.

The biggest increase is for roads. In 1956, the Bureau of Public Roads spent \$770-million in grants for construction;

Shifted Under Eisenhower



in 1959, the federal outlay will be over \$1.8-billion, mostly through the highway trust fund.

• **Social Services, Too**—Alongside these increases in brick, mortar, and steel to take care of an expanding economy, Eisenhower also calls for stepped up social services. The department of Health, Education & Welfare, which administers most of these programs, spent \$2.1-billion in 1956. For 1958, it is asking Congress for \$2.8-billion.

"Since Marion Folsom moved from Under Secretary of the Treasury to head man at HEW, he's become one of the biggest spenders in government," says a long-time associate of Folsom in the Administration.

There's no doubt that Folsom is doing exactly what Eisenhower expects. Next to schools, the biggest HEW increases are for public assistance grants to the states, health research, public health, and vocational rehabilitation. Folsom is also directing an expansion of the Food & Drug Administration.

V. Legislative Load

Backing up his dollar requests, Eisenhower is laying before Congress a heavy load of new legislation. In his State of

the Union message last week, he touched only a few high points. This week in the budget message, he filled in the details:

- For foreign aid, he wants authorizations for another year at about the same level as currently, with greater stress on economic aid than in the past, particularly for the Middle East.

- For trade, he urges Congressional approval of U.S. membership in the Organization for Trade Cooperation, and requests Congress to adjust the tax laws to help U.S. businesses operating abroad.

He also is renewing a request that Congress approve U.S. participation in the International Atomic Energy Agency.

- **Spurs to Business**—Some other requests for legislation are less directly related to the budget.

The Administration will ask Congress to give the Veterans Administration discretionary authority to raise interest rates on VA mortgages.

Several aids to small business are being proposed. These would extend the Small Business Administration for another year, simplify the keeping of withholding tax records, and exempt stock issues of less than \$500-million from registration with the SEC.

Eisenhower also asks Congress to enact a natural gas bill along the general lines of the one he vetoed last year after disclosures of pressure on Congress by lobbyists.

Eisenhower repeats requests for action that Congress refused to take last year, such as aid for areas with particularly heavy unemployment loads, increased postal rates, and extension of unemployed insurance.

Philco Joins Bout

Charging conspiracy,
Philco wants damages from
RCA, GE, and AT&T.

Patents in the electronics industry became a lively issue again this week when Philco Corp. slapped a suit for \$150-million triple damages against Radio Corp. of America, General Electric, and American Telephone & Telegraph Co. and its manufacturing and research subsidiaries.

The chief target seems to be RCA, which now faces three antitrust suits, all making similar charges of "monopolistic practices" with radio-television patent pools. The two earlier actions—brought by Zenith Radio Corp. in 1946 and the federal government in 1954—are still pending.

- **Accusations**—Philco charges that back in 1946 David Sarnoff, then president and chairman of RCA, "secretly intervened" to hold up a royalty-free cross licensing system between GE and Philco and that GE agreed to the RCA plans.

As a result, in Philco's accusing eyes, RCA has become, in effect, "sole licensor" for the electronics industry—partly through patents it holds directly, partly through cross licenses with GE, AT&T, and Westinghouse. A patent pool conspiracy among the four companies, Philco charges, makes RCA's permission necessary for anyone to operate in the radio-television industry—besides stifling competitive research, increasing costs to the public, and giving RCA an edge in the business.

The complaint also accuses RCA, through ownership of National Broadcasting Co., of forcing Philco to sell a Philadelphia TV station at less than value by threatening to withdraw network privileges.

All this adds up to a \$50-million loss, Philco claims.

- **Replies**—RCA, in a blanket denial of the charges, described the action as an attempt "to throttle development of color television." Both AT&T and GE likewise insist that they have done nothing illegal.

As for which pending case comes to trial first, it's anybody's guess.

TOUGHEST JOB

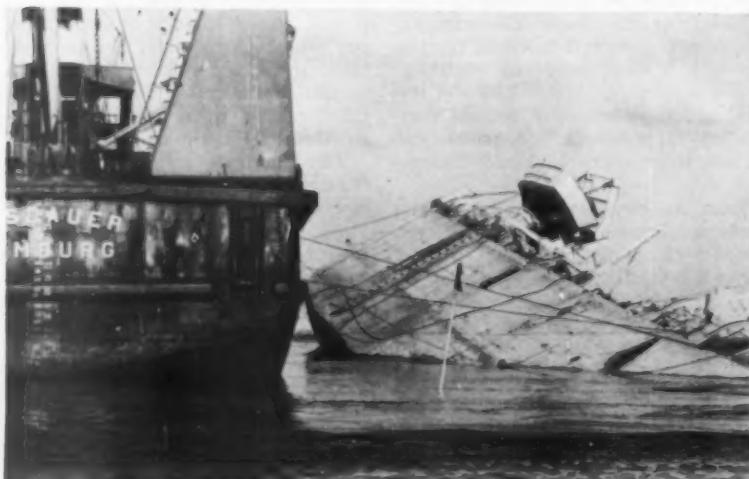
left for Suez salvagers is clearing cement-laden Akka from channel.



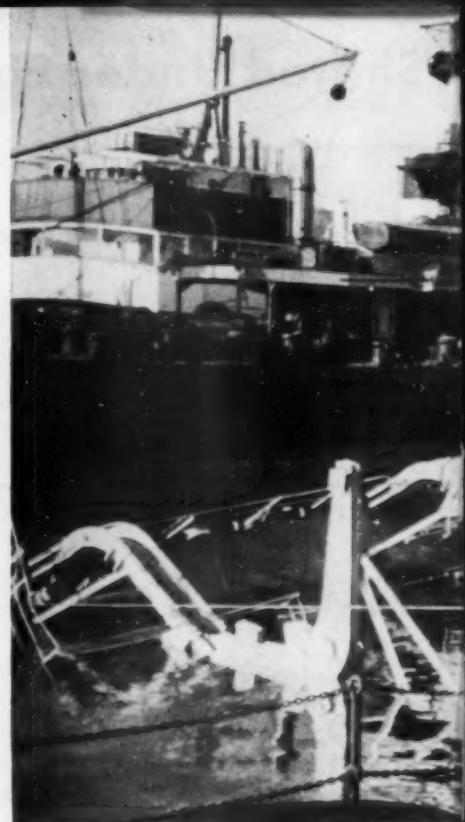
BOARDING Akka, Italian divers and salvage workers find out what's to be done.



CUTTING away Akka's superstructure is first step in preparing it for lifting.



PULLING will be final step; huge salvage ship Ausdauer is getting in position.



How They

There's a sort of romantic aura surrounding the idea of sunken ships and salvage operations—built up out of tales of pirate ships and buried treasure, the fascination of the diver's craft, and a general sense of mystery.

But—as you can see by what's going on in these pictures of Suez—when the sunken ships and twisted bridges are blocking one of the world's most vital waterways, the salvage operation to clear the canal is not one for a romantic amateur. It's a tough engineering job requiring big-scale organization, a high level of technical skill, and the most up-to-date equipment.

The consortium of Dutch and Danish salvage companies that got the clearance contract, working under direction of retired U.S. Lt.-Gen. Raymond A. Wheeler for the U.N., has assembled a powerful fleet of 31 salvage craft from six countries, with a total hoisting power of 9,400 tons. (That's besides the British and French craft still working under the U.N. flag.)

In addition, three U.S. companies are involved in other phases of the canal work—the restoration of workshops, communications, and lighting.

- Smiles—Despite the hard work ahead—floating the cement-laden Egyptian tank-landing ship Akka will be the toughest job of all—there's optimism all through the red-and-white striped



Are Bringing Suez Back to Life

Lambert Building in Port Said, headquarters of the U. N. Suez Canal Clearance Group.

The U. N. technicians have good ground for confidence. The private contractors started work at the beginning of the year. They cleared away eight obstructions in six days to open Port Said harbor and the northern entrance of the canal to ships of 22,000 tons. They have removed both spans of the wrecked Ferdan Bridge, which

completely blocked the canal north of Ismailia.

These operations helped to release 13 tankers and freighters trapped in the canal since Oct. 31. The vessels, including one Russian ship as well as the 22,600-ton Cities Service tanker Statue of Liberty, made a U-turn in the bypass at Ballah with the aid of Egyptian pilots—and the tankers dashed out to sea to rush Caribbean oil to Europe.

• **Schedule**—With a moderate channel

now open to the half-way point at Ismailia, Wheeler still sticks officially to Mar. 10 as the date for clearing the entire length of the canal for 25-ft. draft ships. But privately, U. N. experts are gleefully talking about a mid-February opening.

May 20 is the date set for full navigation by ships with 35-ft. draft. That means not only clearing away the obstructions and partial obstructions, but dredging silt from the canal bottom and



FERDAN BRIDGE wreck is no longer an obstacle; salvagers lifted its two fallen spans, cut them loose, towed them to shore of canal.



FREE AT LAST—Eugenia, trapped in Suez, is freed by partial opening of channel.

banks, and restoring communication systems and lighting.

The silt question still awaits results of Egyptian surveys. But contrary to earlier dire forebodings about the canal filling up, Wheeler doesn't expect much trouble. Silt, he says, is caused by the wave wash of vessels enroute through the canal—and these vessels have been conspicuously absent for three months.

As a result of this estimate, and the speed of clearance to date, U.N. officials are scaling down earlier calculations of a \$40-million to \$50-million total cost.

• **No Novices**—The contractors handling the clearance for the U.N. are no novices at the salvage game. The salvors' consortium that holds the contract is made up of the 100-year-old L. Smit International Towing Co. of Rotterdam and the Em. Z. Svitzers Bjergnings Enterprise of Copenhagen.

The bulk of the 31 consortium ships at work in the canal and Port Said harbor are Dutch or Danish, but the salvors have also leased salvage vessels from German, Swedish, Italian, and Belgian companies (and are negotiating for three Yugoslav ships). One French and eight British military salvage vessels—which had already begun clearance work before the U.N. force took over at the canal—are still working in Port Said harbor on loan to the U.N.

The consortium's crews total 447 men—and if you add in the administrative personnel in U.N. Port Said headquarters, the number working at the job passes 500.

It takes so many ships and men because the job needs more than one kind of vessel. The consortium's roster of 31 ships takes in salvage tugs, ocean-going tugs, coastal and harbor tugs, salvage vessels, cranes, lifting craft, supply vessels, and others.

• **Raising the Dead**—Fourteen of the

vessels specialize in lifting. That's the basic method employed in canal clearance, but there's more than one way of doing it. For the most part, though, the Suez job won't involve anything beyond the standard salvage methods of hoisting or ballast lifting.

The ships salvaged so far had all been scuttled by opening their seacocks, so the lifting was not too difficult. Others still to come up have holes from explosive charges that will have to be patched before lifting begins.

In straight power-lifting jobs, divers first cut off underwater obstructions and pass messenger wires, then steel cables, underneath. Cranes lift the wreck, while an auxiliary salvage vessel pumps out water to float it.

Ballast lifting is a bit more complicated. The wreck is tied tightly on both sides to lifting craft lying low in the water with their own ballast tanks flooded. As the water is pumped out from their tanks, the salvage craft raise themselves, and the wreck, too.

• **The Big Ones**—This is pretty much the treatment that will be given to the cement-laden Akka, on which eight U.N. vessels are working. Contrary to early reports, Wheeler says the Akka won't have to be cut in pieces. It's lying on its side, with bow above water and stern submerged.

After its superstructure is cut away, the Danish salvage ship Svitzer will get hold of the Akka and put it on keel. Then the 1,870-ton German salvage vessel, the Energie and Ausdauer—the world's largest—will do their stuff, hugging the Akka tightly on both sides with cables around it, and lifting it by filling themselves with water, then pumping out.

There's one ship that's not yielding to these standard methods—the 1,500-ton freighter Zamalek in Suez harbor at the south end of the canal, which is

now being cut up by Egyptian and U.N. divers.

• **Still in Way**—When British airmen first surveyed canal damage, they reported 51 obstructions, but some of these were removed before U.N. clearance work got under way, or were found after closer inspection to be undamaged.

The authorities now list about 20 obstructions in the canal between Port Said and Suez, of which eight (including the Akka) must be removed to clear a first 25-ft. channel. There are also a half dozen or so partial obstructions in Port Said harbor, and other obstructions at the Suez entrance. ("Obstruction" is a neutral word that covers capsized cranes, sunken dredgers, submerged ferries, as well as the 3,500-ton suction dredger Paul Solente in Port Said harbor, and the Zamalek and the 1,200-ton Egyptian frigate Abukir in Suez harbor.)

• **Installations**—When obstructions are cleared away, the Egyptian Suez Canal Authority will take charge of actual operation of the canal. But in the meantime wrecked installations must also be restored. Wheeler says damage to workshops and other installations was confined to the Port Said area—but the damage included destruction of the main communications building and the gas plant (for that reason, the lighting system will now have to be electric).

International Telephone & Telegraph Corp. is sending two Italian engineers to investigate communications, and two U.S. engineers from General Electric Co. will look into lighting. Ralph M. Parsons Co. is to survey the workshop situation. After May 20, when clearance is complete, there will still be the problem of restoring or replacing the canal's own fleet of tugs, dredgers, cranes, and salvage vessels—now being raised from the bottom of the canal. That may take months, or years.

• **Money**—That problem is simple, however, compared to the politically complicated one that U.N. officials in New York are wrestling with: Who will pay for all this?

On a temporary basis, U.N. Secy.-Gen. Dag Hammarskjold reported last week that Chase Manhattan Bank Chmn. John J. McCloy (acting as the U.N.'s agent) was achieving some success. The U.S. has pledged a \$5-million advance to meet initial clearance costs (estimated at \$10-million). Eight other countries have made tentative commitments. Ceylon has suggested it might advance Egyptian pounds from the surplus of its Egyptian trade.

But no one wants to talk about how these advances are to be reimbursed. The only concrete suggestion, which Egypt is bound to oppose, is to meet the costs out of future canal tolls.

1957 Autos—Drug or Dream?

● Today's unanswered question in Detroit still centers on how the new 1957 models are selling.

● Auto makers are publicly showing neither chagrin nor celebration—until January returns are in.

● Amid the paradoxes befogging the future, it's clear that prices and tight credit are both problems.

January is generally an important month for taking stock by department stores, the federal government, and Florida hotel keepers. This year, the auto industry is in the same class.

No one yet dares say with assurance that sales of 1957 models are disappointing—but neither (with few exceptions) have they been sensational. No auto executive yet is backing off from the accepted forecast of about 6.5-million sales this year—but neither is anyone boosting the estimate.

• **Caution**—Few in Detroit—including those whose makes got off to a flying start—are willing to shoot the future until January figures are in. So far, sales results have been too mixed.

One happy note, however, rings out from a University of Michigan survey of consumer intentions to buy new cars. This plainly shows more people now interested in trading in their present models this year than in August, before the 1957 autos were unveiled (page 125).

• **Paradoxes**—You hear talk about a "softness" in the auto market—but Ford and Chrysler-line dealers are screaming for more cars. Mercury dealers have less than a 20-day supply (industry norm is 30 days), and production of some General Motors models undeniably has been slowed by labor troubles.

Ford sold more cars than Chevrolet in November, and it was close behind, if not in the lead, in December. Yet E. N. Cole, Chevrolet general manager, says "Chevrolet is at the outset of one of its finest years." Studebaker claims the last 10 days of December were fine; American Motors' market penetration was off, but Rambler sales were far ahead of December, 1955. Medium-priced car sales are slumping, yet mid-December was one of the best periods in Oldsmobile's year.

Dealers delivered fewer cars in December, 1956, than in December, 1955 (even allowing for the fact that there were fewer selling days this past December). And 1956 turned into a dull year, compared with the forecasts. Some extreme optimists had pre-

dicted sales of 7-million or more; dealers actually delivered 5.9-million, with registrations somewhat higher.

I. The Forecasts

The premises of forecasts for 1957 are familiar:

- Continued high level of business activity, with a gross national product around \$435-billion.
- Rising consumer income.
- High rate of repayment of consumer debt.
- The number of all-new models.

Accordingly, the advance forecasts of sales ran from a 6.2-million minimum (George Romney, president of American Motors) to a 7.3-million maximum (Pres. L. L. Colbert of Chrysler). Ford and GM both picked 6.5-million.

On the basis of sales through December, none of those predictions is being changed officially, although privately within GM and Ford there seems to be some new conservatism. As far as Chrysler is concerned, Colbert last week announced his company would produce about 335,000 cars in the first quarter, as against 251,000 in the same period last year.

• **The Crux**—The key to what kind of year it will be has to lie with GM, which has been taking better than 50% of the market for the past few years. And, from all indications, GM is being exceedingly cautious. In December, at least, GM's intention was to keep dealers' stocks deliberately low even in the spring selling season, geared only to what dealers would sell without pressure.

Whether this intention will persist if GM's December slide in the market carries over is the question other auto makers wish they could answer—in December GM's share of sales was down to about 48%. And Chevrolet's No. 1 position is under severe attack.

II. The Market

Chevrolet began its production for the 1957 market with an inexplicable decision: It scheduled only about 11%

of its production for hardtops, while industry experience is that hardtop sales account for more than 30% of the total. This single fact could account for the jump Ford got in early 1957 sales. Now Chevy has revised its scheduling, and Ford no longer has that advantage.

The most noteworthy feature of the present market is that the medium-price class has slipped. Two or three percentage points of the total market have passed from the medium-price class to the low-price class. You can hear a lot of reasons for this, besides the obvious one of price. GM has largely controlled this market, and production or labor difficulties at all of the Buick-Oldsmobile-Pontiac assembly plants have caused a shortage of cars in those lines.

• **Threat**—Buick, in particular, apparently has suffered, and in November Plymouth edged past it to take third place for the month. From all accounts, Plymouth sales still are at a high level, and while December results will not push Buick out of third place for the year, the GM medium-price leader faces its hardest fight in three years.

At the high end of the scale, Chrysler's Imperial is cutting a swath, even though both Cadillac and Lincoln insist they can't keep up with their own orders. In December, Imperial sold more cars than in any other month in its history, and Chrysler division people say that right now they have more orders backed by money than in 1955 and 1956 combined.

III. Unfavorable Factors

At the top of the list of unfavorable factors everyone will put availability of credit. There is no credit easement in sight.

But there's another aspect of credit that worries the auto people. They always count heavily on sales to owners of two-year-old cars. And they are coming to the reluctant belief that too many 1955 buyers do not have enough equity in their cars (because of low down payments and long repayment terms) to be customers in 1957.

The third great unfavorable factor is the price of new cars, related especially to what seems to be a decline in used car prices. The gap between the average new-car price and the average price of a two-year-old car is widening. It increased \$45 between December, 1955, and December, 1956, and there's a feeling around Detroit it will get more pronounced. That, of course, means a higher down payment.

Financial System Awaits Probe

● It's certain now that the U. S. financial community will undergo the first searching look in 40 years.

● In response to the State of the Union message, Republicans and Democrats are sponsoring rival bills.

● But, in any case, scrutiny will be on the Fed, private and public lenders, and government regulation.

The entire U. S. financial community, from the smallest one-arm country bank to the august headquarters of the Federal Reserve System in Washington, was prepared this week to undergo the most searching investigation in its history.

There was still some doubt as to just what form this investigation will take—and who will be doing the job. But the President's State of the Union Message, which called for a monetary commission to "conduct a broad national inquiry into the nature, performance, and adequacy of our financial system," insured that an examination will take place.

● **Into the Hopper**—The Republican members of the Senate Banking Committee, headed by Sen. Homer Capehart, introduced a bill this week that had the backing of the White House. It called for the establishment of a "National Monetary and Financial Commission" with nine non-partisan members appointed by the President. They would provide a report and recommendations by Dec. 1, 1958.

But the Democrats have ideas of their own. Rep. Wright Patman of Texas, Congress' No. 1 critic of tight money, has submitted a bill calling for a one-year examination by a special subcommittee of the House of Representatives.

Patman's proposal for a wholly Congressional investigation has the support of many other Democratic congressmen.

● **Topics**—There is real agreement, however, about the need for a study. And no matter what kind of commission is set up, or who its members are, it will devote special attention to these areas:

● The role of the Federal Reserve in carrying out credit policy, with particular attention on how to coordinate the Fed's responsibility over credit with the Administration's responsibility for maintaining economic stability.

● The functions performed by private financial institutions—including commercial banks, savings and loan associations, mutual savings banks, insurance companies, pension funds.

● The status of government lending agencies, including the Small Business Administration, the Federal Housing Administration, the Federal Home Loan Bank Board and other federal credit agencies.

● The overlapping of regulatory banking agencies, including the Federal Reserve, the Comptroller of the Currency, the Federal Deposit Insurance Corp., and the state banking supervisors.

● **Time Lag**—All these areas call for a great deal of preliminary fact-finding. It has been more than 40 years since the last official study of the banking system—by the first National Monetary

Commission (the Aldrich Commission) before World War I. Its findings and recommendations were instrumental in establishing the Federal Reserve in 1913.

Thus, the first step in any study must be a thorough blueprint of the nation's financial institutions.

● **The Fed**—The Federal Reserve System will be intimately involved in almost every phase of this examination. Because it has the basic function of regulating the money supply, the Fed's role is the most crucial part of the study.

If the commission is non-partisan, then it will probably devote most of its time to determining whether the Fed has adequate weapons to carry out its tasks. It will take up the question of whether government lending agencies and the federally chartered savings and loan associations should be allowed to follow courses that counteract the Fed's over-all credit policy.

Any Congressional commission would concentrate on getting the Federal Reserve to justify its present tight money policies, as well as its reliance on general and indirect controls. And, in general, a Congressional group would be more inclined to study the charges that some borrowing groups—small business, housing, state and local governments—are hard hit by credit controls.

● **In Either Case**—But the effectiveness of the Fed's weapons will be under examination, whatever group is chosen.

In the same vein, a good deal of attention will focus on the question of whether the Fed's monetary powers are adequate to deal with the lending institutions, both public and private, that have mushroomed in the past 20 years. At present, the Fed does not have direct control over savings and loan associations, life insurance companies, and other large-scale lenders that parallel and compete with the banks.

The question of whether supplementary controls are needed to cover these relatively new financial institutions will be threshed out. At the same time, the problem of attaining greater coordination between the Federal Reserve and the Administration, or between the Fed and other government credit agencies, is sure to be thoroughly aired.

● **No Shackles**—There will be no attempt to undermine the independent status of the Federal Reserve. Even critics of its present restrictive policy, such as Rep. Patman and Sen. Joseph C. O'Mahoney, do not want to make the Fed subordinate to the Treasury.

But the commission may become in-



Businessman in Senate

William A. Blakley (above) has been named to the U. S. Senate seat vacated by Gov. Price Daniel of Texas. Blakley, an Eisenhower Democrat, is chairman of the executive committee and largest stockholder of Braniff International Airways. In addition, he is chairman of two insurance companies, and has a \$125-million real estate project under way. His interim appointment to the Senate is his first active role in politics, and he is inclined not to run for election when his 100-day tenure expires.

volved in a basic study of economic objectives. The present Federal Reserve Act is vague in defining the duties and responsibilities of the Fed; similarly, the Employment Act of 1946 is vague on the ways in which government can maintain economic stability.

The influence of the U.S. Treasury on the financial system is another area that a non-partisan commission will probably try to explore. But a Congressional commission would be trying to blame the Treasury for the high cost of government debt.

• **Settlement**—The squabble over the make-up of the commission is likely

to end in a compromise—a membership of both private citizens and congressmen. The White House, which has had experience with some joint commissions, doesn't like the idea however.

It may be that instead of a joint commission, the compromise will bring two separate commissions. One, primarily short-range in character, would be a Congressional group, headed by Patman, to deal with the Fed's current policy. The other, a private commission, would be the long-range study that the Administration feels will lead to some fundamental changes in laws and regulations.

omy has registered have also been characterized by limited declines in specific sectors. This whole postwar period, says one Washington economist, has been notable for avoiding serious inflation or deflation because different economic sectors—business, consumers, government—have not moved in the same direction at the same time.

Now there is some fear that a number of sectors might decline "in conjunction" or "by coincidence," touching off a serious chain reaction rather than a limited adjustment. This could happen if capacity expands much faster than demand. Business might then cut back on capital spending plans, which would bring unemployment and a drop in consumer income and set the skids for a prolonged drop by cutting consumer spending still more.

As yet, there is no evidence that such a pattern will emerge. But Administration spokesmen feel that if price hikes become widespread, consumer resistance may develop. This resistance might not end if prices were then cut. Instead, consumers might hold out, hoping for even bigger reductions. Such a situation could bring about a real change in business psychology and in actual spending plans.

• **Opening Shot**—This is why so much emphasis is being placed on avoiding inflation. The President's State of the Union Message was the opening shot in a vigorous jawbone attack on rising wages and prices. The danger of inflation will be stressed by other Administration spokesmen who hope to convince businessmen to keep prices steady for the first half of the year. After that, they believe that the combination of both government spending and consumer buying will keep the boom rolling along.

The jawbone technique is the Administration's only direct weapon against inflation. Until now, it has depended on the indirect controls over credit held by the Federal Reserve. This will remain an important tool, but the Administration is convinced that credit control alone is not enough.

The Federal Reserve may yet tighten credit still further, although the money managers want to avoid that. True, they are definitely afraid that business may indulge in imprudent decisions such as raising prices, accumulating inventories, and going ahead on projects that are essentially speculative—but the squeeze on both banks and businesses has reached the point where increased tightness might not only pare down the demand for credit by speculators, but also by legitimate borrowers.

• **Distortions**—Even so, the Fed also feels that any actual easing would serve to justify price hikes and encourage the kind of imprudent speculation that could create serious distortions.

Inflation or Deflation?

Washington policymakers see the signs pointing both ways. But most economists agree that neither one is inevitable.

The Administration's warning that inflation poses a threat to prosperity is still getting headlines this week—but at the same time some of Washington's economic braintrusters are mulling over the question of deflation and recession.

On the surface, the difference between what is said in public and what is thought in private appears contradictory. This is not the case. High Administration officials are basing policy on simultaneous worries about inflation and deflation. As they see it, inflation is the immediate, short-run danger that could break out anytime in the next few weeks or months. Deflation is not such an immediate threat, but could assert itself sometime in the latter part of the year.

• **Confident but Cautious**—These officials are not predicting that an inflationary outburst followed by a deflationary nosedive is inevitable. This is what they want to avoid, and most of them are confident that economic activity this year can be sustained on a fairly even keel. They are going along on the assumption that business is slated for moderate expansion throughout 1957.

But they are not dismissing other potentialities. According to one, the present boom has reached a stage where sudden shifts cannot be ruled out. The main worry among the braintrusters is that inflationary excesses—unjustified price rises and inventory speculation—could transform the possibility of a decline into a probability.

This thinking is partially reflected in the attack on inflation in the President's State of the Union Message. The Economic Report, which is more of a long-range document, will express a little more of this new caution. It will be optimistic, particularly about the first half of the year, but it will point

out that rising prices and other inflationary tendencies can result in deflationary pitfalls.

The underlying fact is that although major emphasis will be publicly placed on inflation, some Administration economists privately are more fearful of deflation. As one official puts it, "Predicting a recession is not good politics, especially when not all of us agree that it may be in the cards and when the majority think it can be prevented."

• **Many Shades**—Actually there are many shades of view within the Administration, ranging from unalloyed optimism about the business outlook to sober pessimism. The majority feels that a decline can be avoided if inflationary tendencies are held in check. Those few pessimists who have convinced themselves that a decline is in the offing also contend that inflation will increase the chances of a severe drop rather than just another "straight line recession."

• **Sparking the Boom**—There are not many economists who think, even in private, that a severe decline is in prospect. But it is acknowledged an outside possibility by some braintrusters, who say it must be considered at this stage of the boom.

They argue that the current boom is in a mature phase, and may begin peaking out at any time. According to this view, the boom has surged, with only slight and momentary pauses, since the end of World War II. It has been featured by rolling upward thrusts, with first one sector, then another, applying the steam.

Thus, the 1955 upturn was sparked by consumer spending, particularly on autos and housing. Last year, business spending took over the major upward thrust and consumer spending slowed.

• **Soft Spots**—The few dips the econ-

Trimming Down Britain's Role



PRIME MINISTER Harold Macmillan will cut back on international commitments.

The new government must build a new place for Britain in the world by adapting it to a lesser political role and bolstering its economic position.

As the new British government settled down this week, it didn't look very different from the one it replaced. Even the new top man Harold Macmillan (picture left and cover) resembles Sir Anthony Eden when it comes to his build, his mustache, his sartorial elegance, and his somewhat haughty manner.

But the job of the new government is quite different. And so is Macmillan's approach to Britain's place in the world.

The new Prime Minister realizes that the time is past for trying, as Eden did, to maintain Britain in the forefront of world affairs by skillful diplomacy. Instead, he believes the country now must face an historic adjustment to a smaller role in the world—one in which it will have to rely increasingly on industrial efficiency to stay afloat.

I. The Job Ahead

Eden was aware, of course, of Britain's declining power and dwindling imperial position. Even so, he hoped to continue a dignified withdrawal pretty much on Britain's terms and colored with an occasional, heroic rearguard action to slow the pace. Now that the Suez gamble has failed, Macmillan's job is to construct a new, smaller place for Britain and by a reasonably fast adaptation, avoid the complete loss of Britain's world influence.

• **Emphasis on Economics**—This will put a premium on good economic management rather than on diplomacy in the grand manner. It means that top priority must be given at once to restoring Britain's economic solvency, even if defense commitments have to be sacrificed in the process.

Beyond that, the new government has these urgent tasks:

- To form a close economic association with Western Europe so that British industry will have the advantage, and competitive pressure, of a huge mass market.
- To rebuild a close working partnership with the U.S. and patch up the rents in Commonwealth unity caused by the Suez adventure.

As it tackles these jobs, the Macmillan government isn't likely to produce any fireworks. To use the phrase of one British observer, it can't be expected to be more than "an efficient, work-a-day Conservative government."

Even so, it has considerable talent,

especially in the economic field, by the standards of modern British governments. The new Prime Minister has served successfully as Chancellor of the Exchequer. The new Chancellor, Peter Thorneycroft (below) is rated not only as a coming political leader but as a man who understands the needs of British industry. It's thought that he may be the toughest Chancellor since Sir Stafford Cripps. Then, there is R. A. Butler, a former Chancellor and the chief architect of the modern Conservative Party. As party leader in the House of Commons and in his new post as Home Minister, Butler can be expected to keep his hand in when it comes to domestic economic affairs.

Macmillan is not himself the typical strong man—moving in, as Churchill did in 1940, to save his country from



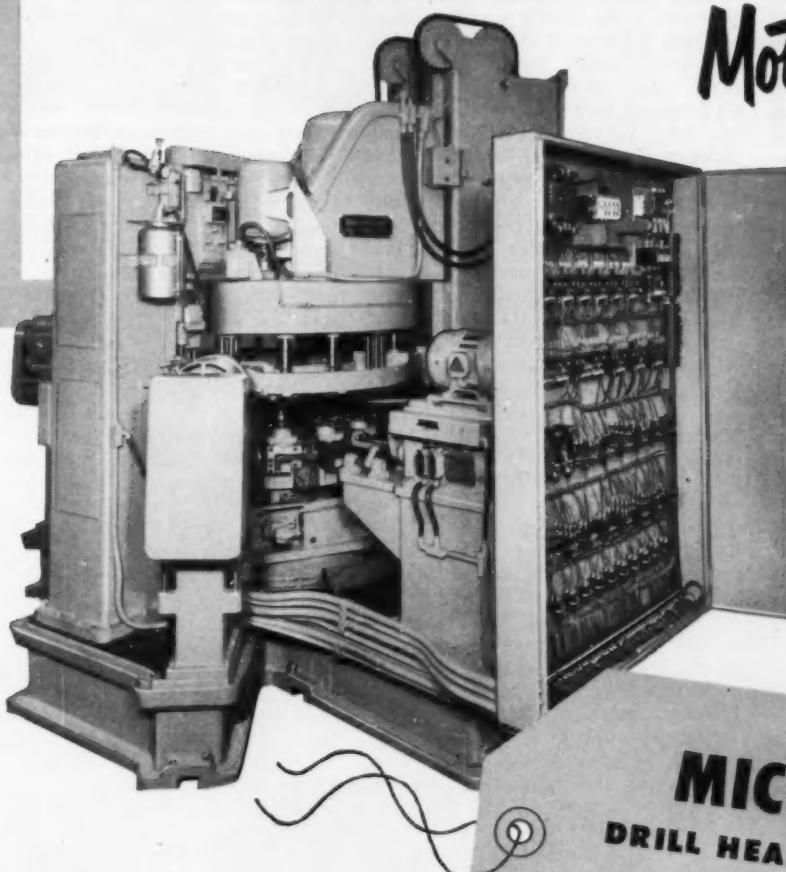
CHANCELLOR Peter Thorneycroft will try to toughen the British economy.

collapse. But, by all accounts, the new Prime Minister has plenty of ability, considerable imagination, and a capacity for making quick decisions. He is known as the kind of politician who doesn't worry much about popularity.

• **Family Ties**—Although Macmillan takes easily to aristocratic ways (he is married to the daughter of the Duke of Devonshire), he doesn't forget that his grandfather was a Highland peasant in kilts, who walked south to England to found the Macmillan publishing house. In fact, his grandfather's picture, which he frequently shows to callers, was the

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first private possession Macmillan took into No. 10 Downing Street last week.

The new Prime Minister was educated at Eton and Oxford, then served as an officer in the Grenadier Guards during World War I. As a young member of Parliament in the years between the great wars, he often rebelled against the Conservative Party line. He wrote books advocating active government intervention in the economy to prevent unemployment, got the reputation of being a semi-Socialist. He was editorial director of Macmillan's when the firm published the works of John Maynard Keynes.

• **Middle Roader**—Today Macmillan proudly cites his past attitude, says he has not changed his views. However, the title of one of his books, *The Middle Road*, comes pretty close to describing his economic philosophy.

Macmillan is equally proud of his business experience and his continuing ties with the family publishing firm. And he is widely regarded as a competent business executive. Civil servants who work for him constantly praise his smooth efficiency and his ability both to grasp problems and give decisions quickly.

• **Rise to Top**—Macmillan owes his rise to the top of the Conservative party to his implementation of the apparently fantastic 1951 election pledge to build 300,000 houses a year instead of the Labor government's maximum of 200,000. He accomplished this by calling in businessman Percy Mills, who assembled a group of business experts and raised house completions 50% in two years. (Macmillan has just raised Mills to the peerage and appointed him to a new Cabinet post—Minister of Atomic Power.)

The new Prime Minister has spent the last two years reconsidering Britain's place in the world—first when he was at the Ministry of Defense, then during a short and not very successful term at the Foreign Office, and finally at the Treasury. He knows full well that Britain has tried to live beyond its means—to have both the welfare state and industrial expansion at home while trying to act abroad both as a world power and a world banker. He knows also that these commitments will be difficult to cut without breaking the domestic and international economic fabric that keeps the British economy going. As he reflects on this dilemma, Macmillan never forgets that he is dealing with a relatively small nation, what he calls an "island economy."

II. New Policies

Still, difficult and perhaps risky decisions can no longer be put off, whether they apply to (1) British relations to the U. S.; (2) Commonwealth

affairs; (3) new economic ties with Europe; or (4) new policies to strengthen the British economy.

• **Rapprochement**—This week Macmillan was well on the way to getting London on speaking terms once more with Washington. A friendly exchange of letters with Pres. Eisenhower indicated that, what Macmillan must do, of course, is restore cooperation with the U. S. on NATO matters and try to find out how Britain's remaining positions in the Middle East fit in with the new Eisenhower Doctrine.

Commonwealth unity, which depends mainly on intimate relations with Ottawa and New Delhi, shouldn't be too hard to restore. Although each shock to confidence in Britain weakens the Commonwealth structure somewhat, neither Canada nor India wants to throw in their lot completely with the U. S. Australia, New Zealand, and South Africa remain unshaken by the Suez affair.

• **Defense Adjustment**—More urgent is the opening of NATO talks on the reduction of Britain's defense contribution. The aim of the new government is to cut the present £5.1-billion defense budget by 20% to 30% within three years. And the plan is to make an immediate start with the paring down of defense spending.

Part of the cut is expected in research development, especially for fighter aircraft, and part in the size of British forces kept overseas. The government is just waking up to the fact that British industry is being starved of scientists, research engineers, designers, and draftsmen by the demands of the Defense Ministry. There's no chance that Macmillan will simply drop work on nuclear weapons and guided missiles, and leave their further development to the U. S. But he does aim to make considerable savings both for the benefit of the British budget and British industry.

• **More Competition**—Britain's economic policy is due for some other changes, may even get some sharp jolts from Chancellor of the Exchequer Thorneycroft. The new Chancellor is convinced after five years as President of the Board of Trade, that Britain must become an efficient, modern industrial country—competing on its merits. He doesn't believe that the sheltered markets of the Commonwealth and the sterling area can help Britain much longer.

Thorneycroft, in fact, is the most "liberal" of the Tory leaders, using that word in the 19th Century sense. He wants to liberate private enterprise from existing restrictions (he has pushed hard for a stiff anti-cartel bill) and toughen up the British economy.

• **... And Free Trade**—The new Chancellor wants to apply his theories in the negotiations will start soon on a plan

international as well as domestic field. He is an all-out supporter of "free trade with Europe," sold the idea to Macmillan early last year. Detailed to link Britain to the proposed Common Market on the Continent through a free trade zone (BW—Oct. 20 '56, p23). By mid-February at the latest, Thorneycroft is expected to announce strong British backing for the whole free trade idea.

• **Financial Situation**—Macmillan and Thorneycroft can make their longer term policies without fear of an immediate sterling crisis. Unless fighting should flare in the Middle East, or there is an unexpected delay in clearing the Suez Canal (page 28), Britain should get through 1957 without any serious strain on sterling. Its reserves have been strongly bolstered by the credits extended by the International Monetary Fund and the Export-Import Bank. And disinflation in the domestic economy finally has reached the point where there are more job-seekers than vacant jobs.

At the same time, Britain's exports are doing nicely. During 1956 they rose by \$1-billion, as imports remained at almost precisely the 1955 level. (Exports to the U. S. and Canada rose by over \$200-million, to a record total of just under \$1.2-billion.)

One of the first decisions Thorneycroft will have to make at the Treasury is whether to maintain the high bank rate. Financial opinion in London recently has swung toward the view that high short-term rates are no longer needed to check domestic demand in Britain, since the boom climate is definitely gone. The idea of an influential group of London financial people is to shift from the bank rate weapon to debt funding.

The guessing in The City now is that the April budget will bring national defense cuts but no tax reduction. This way the deflationary pressure will be kept on by a big budget surplus. There's a feeling, too, that the budget may coincide with a huge funding operation for government short-term debt—and that the bank rate may be cut at this time, if not before.

• **Political Outlook**—If things work out as the new government expects, Macmillan won't even have to consider whether to hold elections before the end of the year.

Some Labor strategists have been figuring that he would have no alternative, that economic conditions would be so bad by spring, owing to the oil shortage, that he would be forced to go to the country for a vote of confidence.

But the odds now favor at least a year's trial of the new Macmillan policy, with a chance that he can put Britain securely on a new road.



1. How these mines were discovered—For years Inco-Canada used air-borne devices to scan vast areas. The possibilities of ore deposits in this area suggested further exploration.



2. How ore bodies were probed—Diamond drills then began bringing up samples of rock and ore from underground; another step toward exploring the size and location of ore bodies.



3. How exploration shaft was sunk. This was the toughest job of all. Only a few men could work at a time. Their air-powered drills could drive only a few feet a day. After each blast, the exploration shaft was scaled and shattered rock

mucked out—long hours of work between each round of drilling. Later production shafts will also be sunk; then crosscuts and drifts driven to reach the ore deposits. *Only after these are completed can mining of Nickel ore begin.*

Ten years and ten million dollars ago, Inco-Canada launched Exploration Project Manitoba.

Purpose of the project: to discover new deposits of Inco Nickel, new sources of mineral wealth deep in the woodlands.

The exploration project having revealed sufficient ore to warrant mining, Inco-Canada will now develop its new underground mines and processing plants in Mystery-Moak Lakes area of northern Manitoba, Canada.

To get them into production calls for a new railway, townsite, power plant, schools, hospital. This \$175,000,000 project is part of an Inco-Canada four-year expansion program expected to help add over 100 million pounds a year to over-all Nickel output.

Inco shows how a Nickel mine is born

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over 100 million pounds
to Nickel output

Mining for Nickel, a color film, shows step by step how Nickel mines are discovered, developed and expanded. It is loaned to technical societies, universities and industry. Write to Dept. 101.

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In Business

Builders' Take Glum View of 1957

Bankers, Economists Dissent

A year ago, a round table sponsored by the National Assn. of Home Builders predicted that 1956 would be a hard year for housing. Figures this week bore them out: Starts for the year are estimated at 1,120,000, compared with 1955's actual 1,328,000.

Now, another round table of builders, sponsored by NAHB in Washington, comes up with an even gloomier picture for 1957: Unless the "mortgage money drought" ends, starts will slump 20%, to around 900,000.

Almost simultaneously, though, NAHB cited a consensus of leading bankers and economists that there would be enough mortgage money this year for between 1-million and 1.1-million starts.

Chicago's January Furniture Market Thinks It May Have Topped Last Year's

The January furniture market in Chicago ended this week with early indications that it was as good as, maybe better than, last year's. "Plenty of business and plenty of sales," industry spokesmen said—and they are figuring a 5% sales gain over 1956 this coming year.

Upholstered furniture showed up especially well; the Merchandise Mart, which with the Furniture Mart makes up the two big market grounds, reported case goods were slow. New styles, patterns, colors appeared to give the edge to upholstered pieces.

Apparently, the challenge of the Homes Furnishings Market Committee, headed by D. L. Kroehler, didn't slow down buying (BW-Jan.12'57,p112). This committee announced at the market that it would hold new fashion shows in Chicago in April and October—to catch the big retailer. Kroehler itself has gone further in the battle to build up Chicago as one central market. Not only will it show its new lines at Chicago this spring; it won't show at High Point, N. C., which in recent years has become the focus for many volume retailers who want something new for their summer and winter furniture sales.

Pennsy Orders Lightweight Cars That Squeeze in More Commuters

A new and unexpected use for lightweight trains cropped up last week. The Pennsylvania RR ordered six and took an option on 44 cars designed by the Budd Co.

These cars will be based on Pioneer III, an experimental lightweight for mainline service built by Budd last year (BW-May 19'56,p68). They will be used, how-

ever, on the Pennsy's electrified commuter lines. As a result, they will have pantographs to pick up current from overhead wires, and electric motors to power the axles. Top speed will be an estimated 90 mph., and acceleration—important on multistop commuter trains—should be up to 30 mph. in 25 seconds.

The cars will have two seats on one side, and three on the other for a capacity of 132 passengers, compared with 72 on present cars. The first six will cost \$250,000 apiece, but subsequent savings in production costs will bring the average price for the first 50 down to about \$180,000.

The new cars should begin appearing on the Pennsy around the end of 1957. They will replace commuter coaches, some of which are so old that maintenance has become a "staggering problem."

Transistors Grow More Competitive

As Prices Keep on Shrinking

The prices of transistors—those pea-sized replacements for vacuum tubes—are coming down swiftly into a more competitive price range. Mass produced units for portable radios dropped as much as 50% during 1956; this month General Electric and Texas Instruments have cut prices 10% or more across broad product lines.

Common transistors still cost 30¢ to 60¢ apiece more than vacuum tubes that do about the same job but that need more space and power. But transistor makers think they will soon break the price barrier into the huge home and car radio fields. They predict that production this year will double 1956's 124-million units, and by 1960 will reach 200-million units.

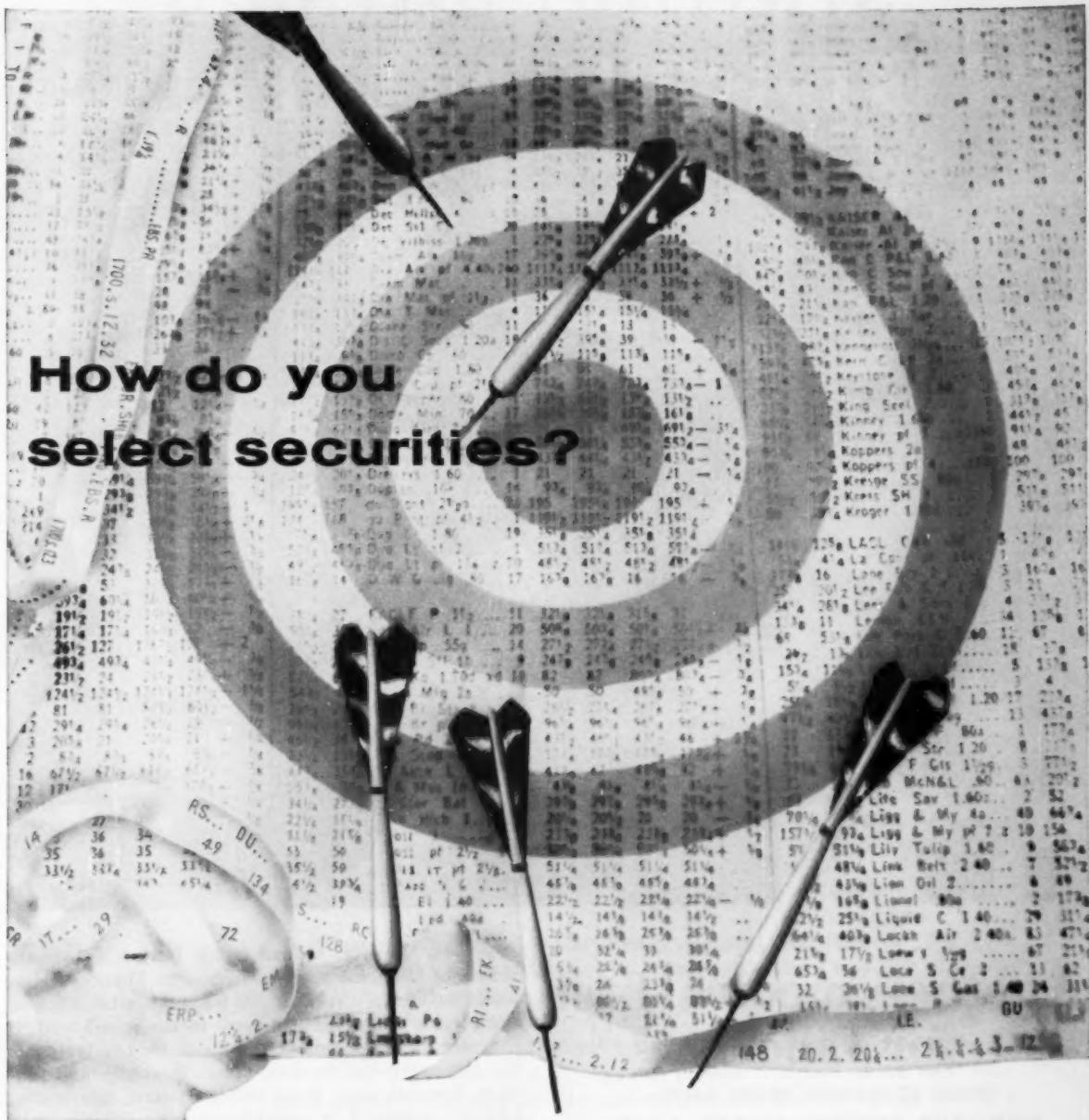
Two major companies even predict 500-million units by 1965, at an average price under 50¢ and much less for the standard radio units.

Business Briefs

The Canadian Pacific Ry. figures it lost \$14-million in potential revenues during the nine-day strike that ended last weekend (BW-Jan.12'57,p31). All CPR trains were idle until government pressure brought the temporary settlement.

The manufacturing volume of Ford Motor Co. has outgrown its management. So this week, Ford shuffled its nine manufacturing divisions into 12, and rejigged its vice-presidential setup.

Conflicting groups in Loew's, Inc., have agreed on a single new slate of directors, apparently averting a proxy war (BW-Jan.12'57,p36). The slate includes 12 "outsiders," only one employee—Pres. Joseph R. Vogel. Fast action, possibly before the February annual meeting, is now expected on most points at issue: effective divorce of the theater and picture-producing arms, allocation of the company's \$31-million debt (one report has the split one-quarter to the theater company, three-quarters to the producing company), and a sharp paring of studio overhead.



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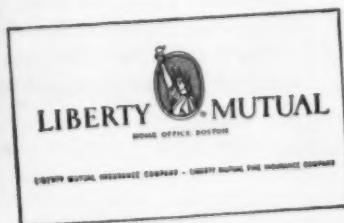


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Last year Liberty Mutual, with Boston University School of Medicine and Massachusetts Memorial Hospitals, opened a special center for the rehabilitation of paraplegics. Paraplegia, damage to the spinal cord, is the most serious of industrial injuries. Up to a few years ago the paraplegic faced complete inactivity and constant hospital care. Even before opening this center, Liberty pioneered in rehabilitating paraplegics, had completed work on 66 cases. 48% are now at work. Rehabilitating these 66, besides restoring social usefulness, effected an estimated average saving of \$38,000 a case in medical, hospital and compensation costs.



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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JAN. 19, 1957



Let's take a look at tax cut prospects.

With the State of the Union and Budget messages, Pres. Eisenhower now has pretty well spelled out his program for the next year and set the tone for his second-term Administration. The tax implications for both corporations and individuals are coming into better focus.

The assumption for this year has been "no cut." The new budget nails this down beyond question.

Prospects for a cut for next year have been considered good. Now there's real doubt. The uptrend in spending shows every sign of continuing. In fact, Eisenhower's programs just about guarantee another rise (page 25).

The Administration will continue to insist on a budget balance. That raises the question of what the spending-revenue picture will have to be in order to persuade the White House to support tax cuts.

Here are the factors to watch for, and note the many "ifs."

The surplus will have to hit the \$3-billion to \$5-billion range. That's what it will take to underwrite a tax cut of any major proportions. For example, a 10% cut for individuals would cost about \$4-billion of revenue. A cut of only two percentage points in the 52% corporation rate means \$1.5-billion.

What will it take to provide the necessary surplus? The indicated answer at this time is a continued rise in business activity. Even if the budget Eisenhower sends to Congress a year from now shows no spending increase, the gain in economic activity will have to be at least as great as in the past year. The receipts figure for fiscal 1958—the 12 months starting July 1—assumes individual income will climb \$15-billion and that profits of corporations will rise about \$1.8-billion.

What are the chances that such a situation will develop? You can't measure them with any certainty. As noted above, there's no sign of an end to the uptrend in government spending. On the business side, any forecast would have to cover the next two years. Most government experts think the rise will continue through the first half of this year. Some have doubts about the second half. Few, if any, claim to have a firm feel about next year. Until there's a firming up of the picture, you can't be sure of any tax relief next year, even if it is an election year.

— • —

You will see a fight over Eisenhower's budget. By and large, it will get an O.K. from Congress. But the higher spending will make trouble.

The Democratic Congress will challenge. It will try to make political hay out of the fact that Eisenhower, after cutting spending at the start, is now upping it. Here are the figures: A year ago, spending was held down to \$66.5-billion. This fiscal year, it will be up to nearly \$69-billion. For the new fiscal year, it will go to \$71.8-billion. That's a new record for what might be called peacetime. Only part of the rise is for defense.

But there's disagreement also within the Administration. It's the first time an Eisenhower budget hasn't had complete Cabinet backing. The dispute goes beyond the number of dollars the government will spend to the programs that Washington will undertake—the question of what is a local responsibility as against what politically powerful groups can get out of Washington.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JAN. 19, 1957

The big dissenter is Treasury Secy. Humphrey. In the past, Humphrey has had considerable success in limiting the budget. He scored some gains in the current round, but he wasn't able to win the cuts he wanted.

Humphrey is unhappy. He publicly supports the budget total Eisenhower sent to Congress. He does so in the hope that things will change before the new budget year is up. After all, as Humphrey points out, the schedule sent to Congress this week covers the next 18 months. It's for the fiscal year starting July 1. Humphrey, in talking about the budget, leaves no doubt that he wants a cut. He will press for retrenchment. If the Democratic Congress wants to cut, Humphrey will be happy.

Is Humphrey bucking the White House? He doesn't see it that way. He sees his job, which involves financing all federal spending programs, as an obligation to try to hold spending down. The possibility that this may put him, for headline purposes, in the camp of Democratic critics of the President doesn't seem to worry him.

Humphrey is against so-called tax relief bills.

His point is that just about all tax rates are too high. But he feels that if the Administration gives in to this or that group, including small business, then it not only loses revenue but reduces the chance at some future date of putting through real relief.

On oil depletion allowances, Humphrey makes no bones about his stand.

His feeling is this: The rate of 27.5% may or may not be exactly right. The objective has been to encourage new production for an economy that is making more and more demands on the petroleum industry. As Humphrey sees it, the rising demand for oil is being met. So the rate must be about right.

On fast tax write-offs for defense, Humphrey is firm.

He will agree to these benefits where they are really essential to defense. But he has no sympathy where applications are made for defense-supporting activities. An example is steel. Only a small portion of this basic industry's output goes to defense. The big demand is from civilian markets. Humphrey sees no need to give steel a special tax break.

Does Humphrey plan to resign at some early date? That's one of the most often asked questions in Washington. In view of his rather obvious disappointment over the new budget, it's top news again. Reporters put the question to the Secretary at every opportunity.

Humphrey won't talk, for obvious reasons.

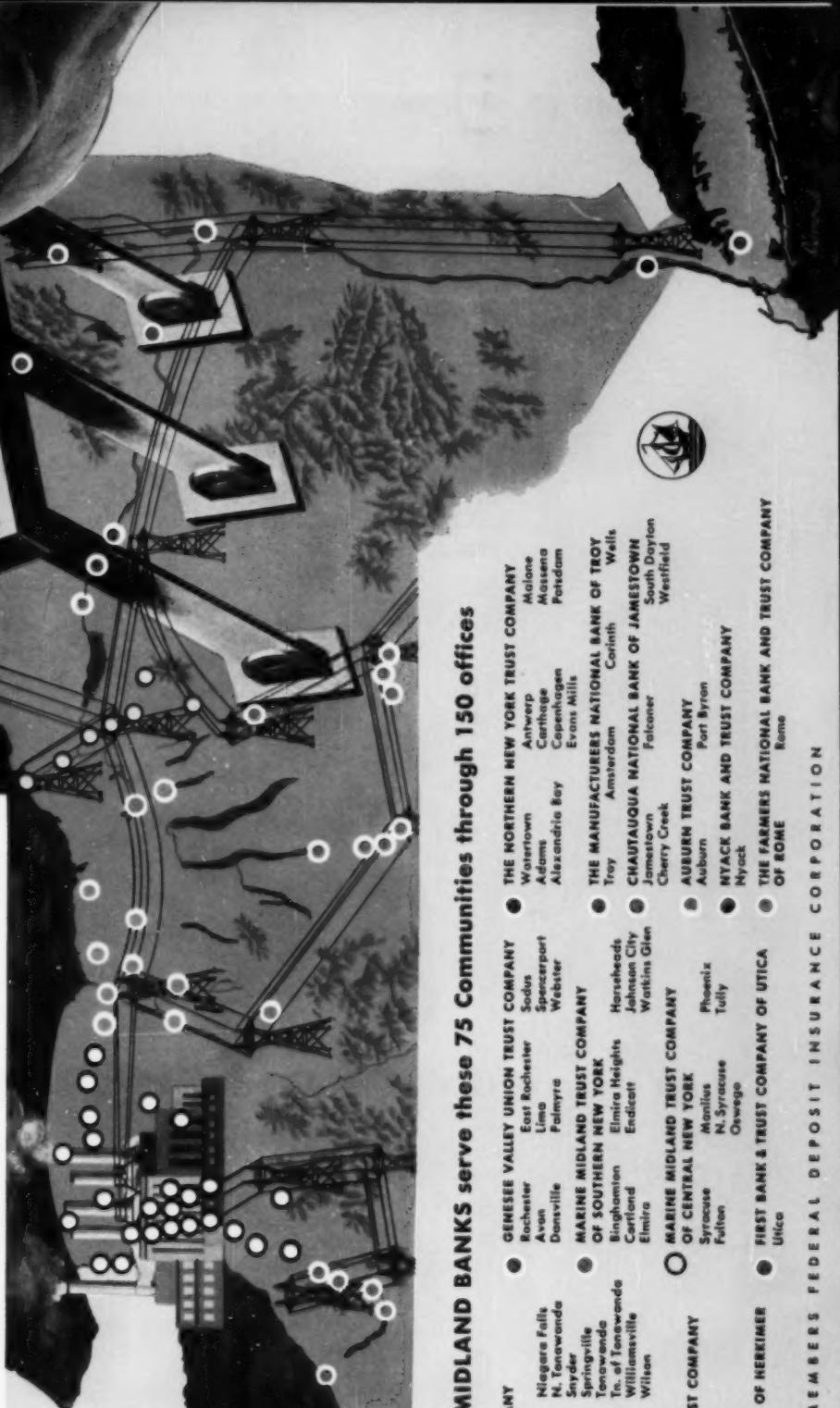
Some of his close associates will talk. But they really don't know what the Secretary plans. After his long years in private business, he has spent four years here in Washington. He's in fine physical condition, judging from his appearance. What his associates say boils down to this: The Secretary might like to retire and concentrate on his side interests, but he feels there's still a job to be done in the Treasury. He will stay on as long as he can see accomplishments. He will leave if he feels his fight is futile.

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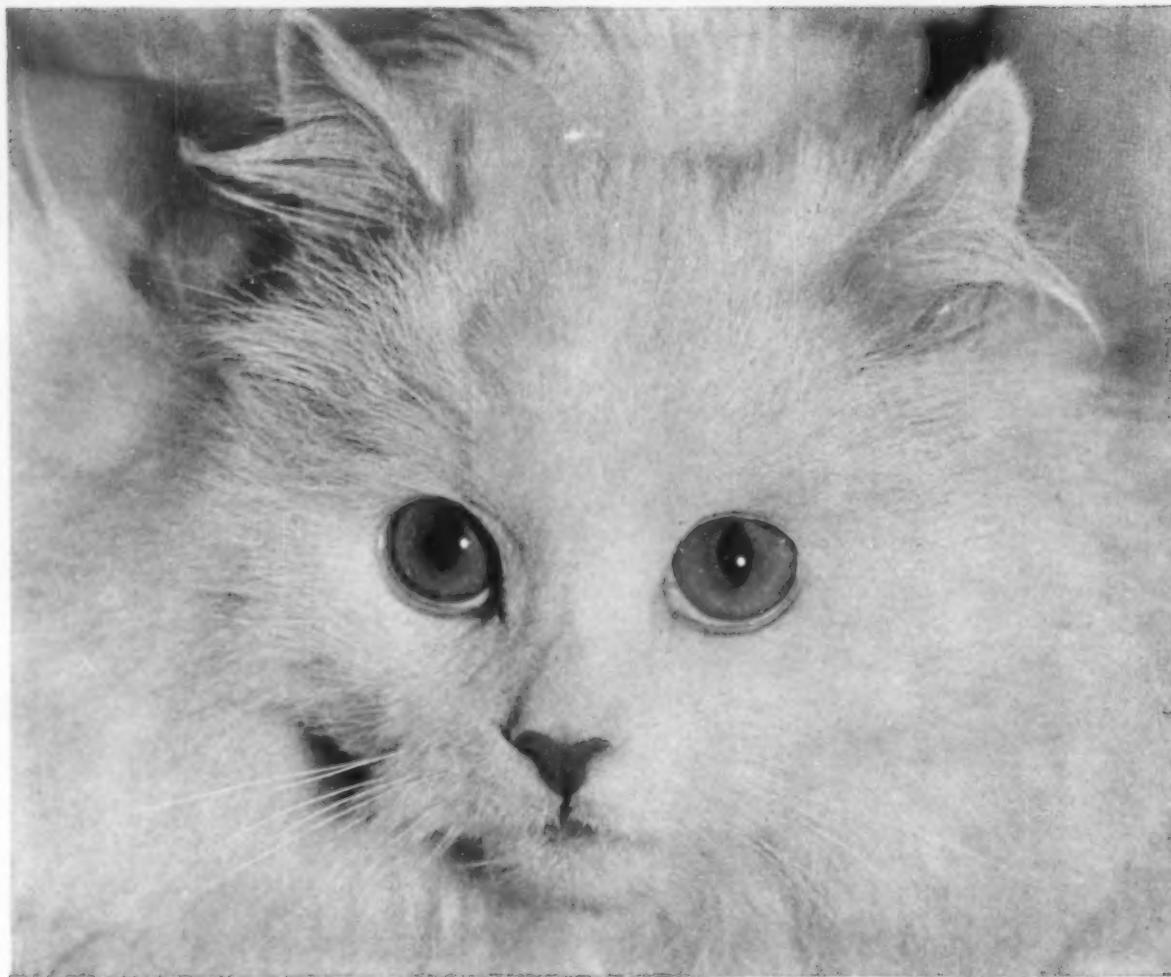


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Why colored illustrations delight the eye

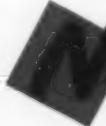
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Drought Hits the Cities, Too

In the Southwest, new industries begin to shy off, fearing the same water shortage that has blighted farms and ranches.

Some years back, Dr. Hugh Bennett of the U.S. Soil Conservation Service observed, "this nation and civilization is founded upon nine inches of topsoil, and when that is gone there will no longer be any nation or any civilization."

This week in the plains country of the middle United States, upwards of 30-million acres of topsoil—barren of vegetation, or without enough to give protection—lies parched and feverish, in danger of being blown away unless nature wets it down with long and gentle rains before the whistling winds of February and March sweep out of the North and West.

• **By Slow Stages**—The great drought of the 1950s is in its seventh year, and 1957 is a year of crisis. Drought is an insidious, creeping thing. It builds up slowly and is hard to recognize in its early stages. For years, it was the farmer and rancher who watched the skies and hoped for rain. They needed it to save their withering crops and shrinking herds.

Now the drought is coming to town. The city planners and business and industrial managers are now watching the skies and worrying, too. Their worries are immense ones that involve new growth and expansion—in short, more production of goods and creation of more jobs.

Just as surely as the country man needs rain for his fields and his animals, the city man must have water to nourish economic growth. In most of the drought country this growth has been starting in the past decade.

• **Woes of the City**—But is the bloom coming off? No one knows the answer for sure. It hasn't yet, but responsible people do realize that drought dangers are not confined to the farm. When he flew to Texas, New Mexico, Arizona, Colorado, Oklahoma, and Kansas this week on his inspection trip, Pres. Eisenhower recognized this. That Eisenhower would talk to agricultural leaders was well publicized in advance, but little notice was given to the fact that the White House arranged for business and industry representatives to tell their stories to the President, too.

Specific appraisal of drought impact on business and industry, over-all, is impossible. In Texas and Oklahoma, for example, the statistical indexes for

1956—worst drought year in this cycle—show economic activity at new peaks. Thus, it is fair to say that the Southwest's economy—because agriculture has become less important in the past decade and manufacturing has become more important—is drought-resistant.

• . . . **Some Scared Off**—But the economy is not drought-proof. Economic damage is occurring, and it's recognized not only in board rooms of the region itself, but also in the financial centers of the East.

The president of one of the Southwest's biggest banks, who keeps in touch with region-wide affairs through his correspondence with country banks, leans back in a luxurious Dallas office:

"Would I encourage new industry to locate here now? Well, if it needed much water . . . I don't think I could. Not right now. But that isn't even the point.

"The point is that any industry needing any sizable quantity of water is beginning to look the other way. Take Baton Rouge, for example. Why, in the past year it got four big new industrial plants located. Every one of them is going to be worth \$50-million to \$200-million. Texas might have had any one or all of them, except for the water problem."

• . . . **But Not All**—However bleak this may sound, it should not be mistaken for a broad generalization. That is, it does not mean that all new industry is passing up Texas or the other drought states.

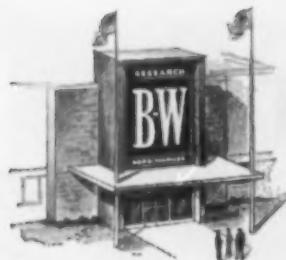
A case in point: Odessa, in drought-suffering West Texas, is one of the least likely places imaginable to look right now for a new, big industrial plant. Yet El Paso Natural Gas Co. and General Tire & Rubber Co. are building a \$40-million copolymer plant there. Their water arrangements are interesting: They will buy sewage water from the city of Odessa and process it for re-use in the plant.

This isn't unique though: Cosden Petroleum Corp. has been buying city sewage water for re-use in its Big Spring (Tex.) refinery for some time.

• **Agricultural Disaster**—For farmers and ranchers, the drought has been a major catastrophe. Around San Angelo, in the heart of West Texas, once-booming ranch country, they tell you "this area would really be on its uppers if it



"LUG-A-JUG" free water taps ease the pain of Dallas' new pipe-eating water.



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hadn't been for some oil play." That same factor helps bolster up farmers and ranchers in Colorado, New Mexico, and western Oklahoma. Lease money and production royalties won't grow grass, of course, but these payments will allow the fortunate recipients to hold their land while they wait for rain.

Not all can hold on. One big-scale operator with several Texas spreads "went out" in 1956 owing nine banks \$2.9-million, of which \$500,000 was unsecured. When the banks took over, his assets were figured at \$2-million. The explanation is simple: "He got no rain, and he had no oil."

Torrance Country, in central New Mexico, has lost 50% of its farmers—probably for good. In Melrose, N. M., 25 children withdrew from school in a two-week period as their families fled the drought. Some eastern Colorado areas report that up to 90% of the residents have pulled out. At Brandon, Colo., a banker says: "Business is the worst I've ever been through."

- **Side Effects**—Effects spread out far and wide. For example, the Texas Farm Bureau Federation hired no special train in 1956 to take its members touring as in past years, to Miami, Chicago, Seattle, or New York. St. Louis shoe manufacturers, and their machinery suppliers, felt it when their big annual Southwestern showing at Dallas did not produce the usual rash of heavy buying.

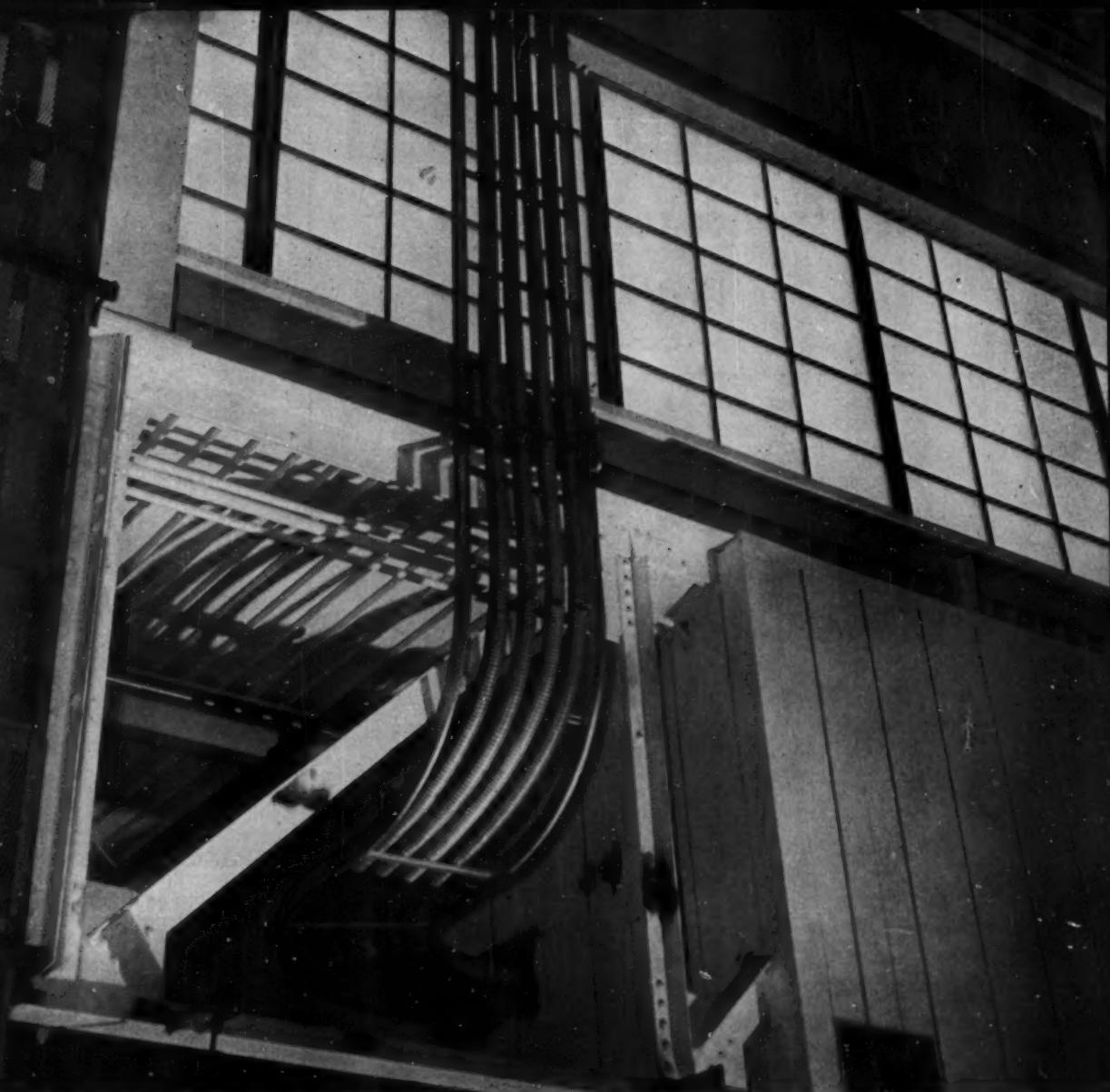
A sales representative of a leading pen maker says: "We've got stock on the shelves in western Oklahoma that hasn't moved for five years." And a bond dealer says Texans' fondness for exaggeration—even about such things as how severe their drought is—hurts. Non-resident investors, he says, are leery of school bonds and similar issues, partly out of fear that the drought will make repayment difficult.

- **The Future**—Well, what of tomorrow? The situation holds a disaster potential, if it doesn't rain, as the Austin (Tex.) Statesman pointed out editorially two months ago:

"Texas already has lost several important industries which would have located in the state except for the uncertainty of water supply. Limited rainfall over the years has failed to replenish underground sources of water. Water has been drawn faster than it has been replaced. . . . Another year of drought and the great state of Texas will be face to face with the possibility of a great disaster."

A few random items illustrate the problem:

- Comal Springs, headwater of the Guadalupe River in south Texas, went dry in midsummer, 1956, for the first time in history. The springs had flowed 200-million gal. daily. Downstream, 11 electric power plants



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"... continued headlong growth would have compounded already bad problems . . ."

DROUGHT starts on p. 45

were crippled; not one of them had storage for condensing water. They drilled emergency wells—deep and expensive—and installed cooling towers.

• In East Texas, where drought is less severe and rainfall is always heavier, Lone Star Steel Co. observed a drop of more than 8 ft. in its private lake. No operational crisis was involved. But Lone Star did resort to emergency pumping from nearby Cypress Creek to raise the lake level.

Water tables, even in this area of relatively plentiful rainfall, have dropped 20 ft. to 84 ft. in the past year. Geologists estimate that underground water now being used was put there by nature 400 years ago. Towns in the region have formed the Northeast Texas Municipal Water District and are sharing costs, with the federal government, for construction of Ferrell's Bridge dam and reservoir on Cypress Creek, about 20 miles below the steel plant. The project will supply 251,100 acre feet of municipal and industrial water.

• Big industry in the Beaumont-Port Arthur-Orange region of the Gulf Coast went through a jittery siege late in 1956 when an industrial water shortage was threatened. Shutdowns and cutbacks were feared, but none actually occurred. Rains fell upstream in the Neches River watershed, just in the nick of time.

• **A Healthy Check**—Even in this, however, there are bright notes of no small consequence. Continued headlong growth at the frantic pace of the late 1940s and early 1950s would have only compounded already bad problems in schools, streets, and hospitals for the burgeoning cities—not to mention the most severe of all their problems, water.

Commuting to industrial jobs has become an established part of life for literally thousands of Southwesterners who still consider themselves rural folk—either living on the old farmstead or in small country towns. The Southwesterner thinks nothing of driving 70 to 80 miles to get to and from work.

• **Balancing Factor**—Just when natural forces were disrupting agriculture, man-made forces were touching off an industrial and business boom. Thus it was that Aluminum Co. of America found itself hiring heavily for its new Texas plant from a conglomerate composed mainly of peanut and cotton farmers.

That story is repeated over and over in the aircraft plants of Wichita, Tulsa, and Fort Worth and in the numerous



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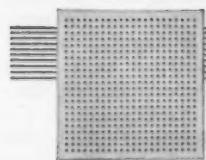
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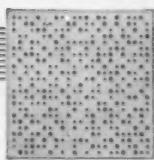
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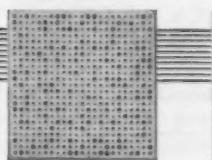
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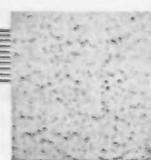
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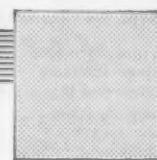
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military installations that dot the region, providing thousands of other civilian jobs.

It was the Korean War outbreak in 1950, and the subsequent military buildup, that in 1951 caused padlocks to come off the Douglas Aircraft Co. plant at Tulsa, closed since the end of World War II. Now Douglas is Oklahoma's biggest private employer (11,000) with a weekly payroll of more than \$1-million.

• **Oil Boom**—At present, the Suez crisis is stimulating the oil industry, which is the economic cornerstone in Oklahoma and Texas—and almost equally important to Kansas and New Mexico.

Dr. John R. Stockton, University of Texas, sums up: "So, you can see it's not all black. Of course—and don't minimize this—the drought has been a calamity for our farmers and ranchers. But if everything had been perfect, we probably would have had to import more people and that would have meant even more population absorption problems for the cities."

• **Projections**—What will another year of drought do to business and industry? No one knows, but J. B. Thomas, president of Texas Electric Service Co. at Fort Worth, says: "When it comes to making the decisions about spending money for equipment, we are buying and planning on the basis that growth will continue at the same rate as the past 10 years."

When the rains come back will the farmers rely again on the land, causing an unstable labor market? In Tulsa, a Douglas Aircraft official says: "We don't regard this as a short-haul proposition. They left the farms for economic reasons, and it will never be economically feasible for them to return."

• **Woes of Dallas**—What drought can mean to a thriving big city is best illustrated by the story of Dallas. It has just finished the most miserable summer and fall of its existence. Emergency water had to be obtained from the Red River, some 70 miles to the north.

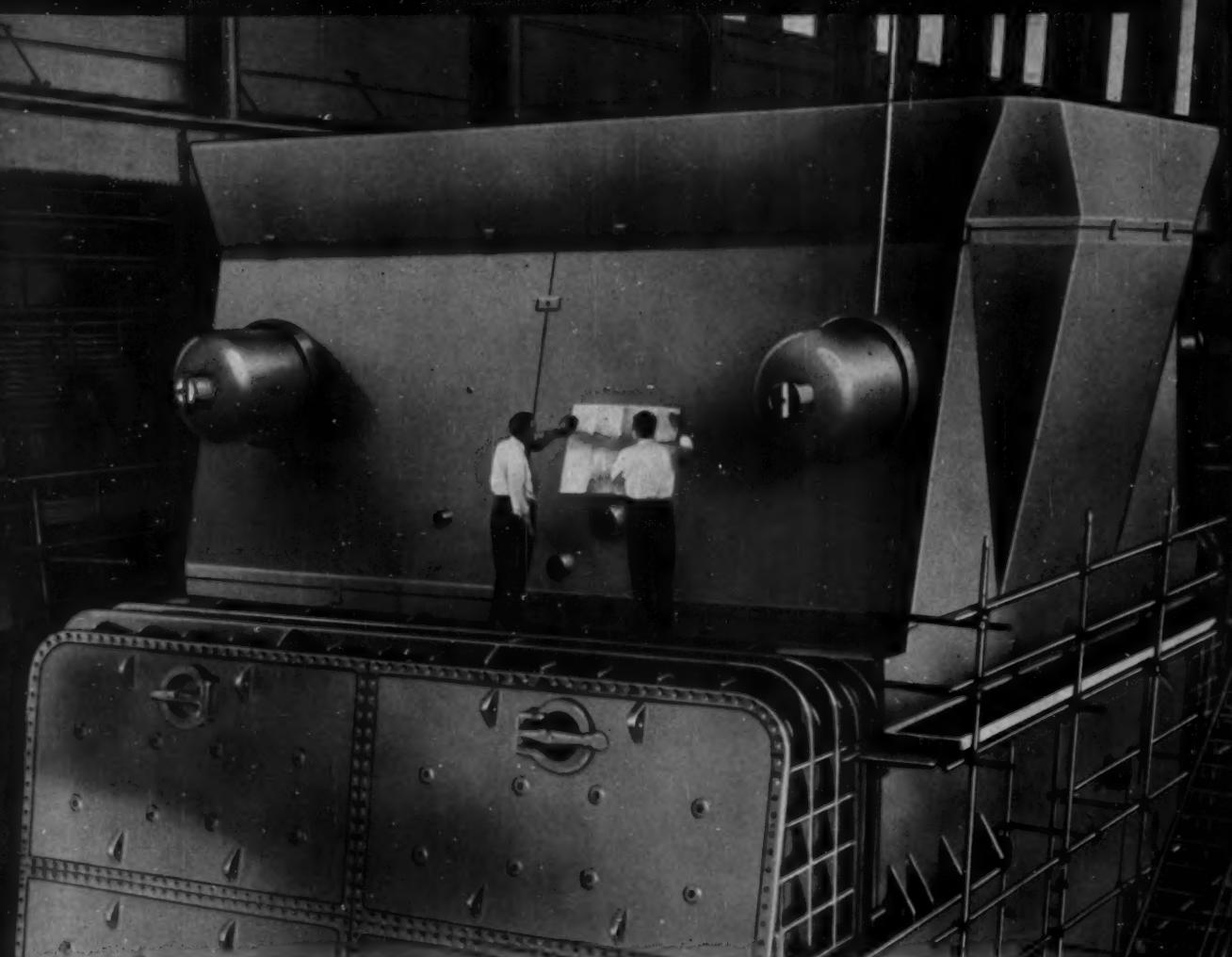
This water had a high salt and other mineral content. It tasted foul; it killed grass and shrubs and trees whose combined value can only be estimated "in the millions." That wasn't all.

Doctors ordered their patients with high blood pressure to avoid the water. Pure spring water, trucked in, sold well—at 40¢ a gal. The city has tapped new wells and has reached out to Lake Lavon, northeast of the city, for more municipal water. It also has opened seven "lug-a-jug" artesian wells where the public can fill containers free (picture, page 45).

Dallas citizens assure you that "the water still tastes bad, but it's better than it was in October and November."

• **Ailing Pipes**—No widespread damage

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"... what comes first—population or water? . . ."

DROUGHT starts on p. 45

to humans has shown up yet. But what the water is doing to plumbing—and automobile radiators—is another story. One big Dallas company has already had a \$100,000 plumbing bill because of boiler and pipe corrosion. Home repiping jobs cost from \$500 up.

November was the biggest month in history for auto radiator repairmen. Horace F. Click of Click's Radiator Service put a new cooling system recently in a 1956 model car that had been driven only 2,300 miles. The water had "eaten up" the metal.

Water drillers are swamped with orders. C. W. Chilcoat's firm is weeks behind in its work, has been going at full tilt for the past four years.

All the while, Dallas' new Brook Hollow industrial center continues to fill up. There are no heavy water users among the companies locating there. And Dallas is still growing. City and county, it is now pushing 800,000. Projections to 1975 put the city-county population at 1.3-million and to the year 2000 at 2.4-million.

• Future Supplies—What comes first, the population or the water? The city administration is scrambling to add at least six more big water reservoirs.

Everyone in Dallas applauds this, but there are those who think it might not be enough in another severe dry cycle. To be absolutely drought-proof, they think Dallas should reach out much farther—up to 300 miles—via pipeline to tap tributaries of the Mississippi River.

Engineering, right-of-way, and supply contract problems would be immense. There are those who argue it can't be done; others insist "we've got money and guts to do anything, once we make up our minds to it."

• What Is Water Worth?—Drought accentuates the multibillion-dollar question for the entire plains region, which has before and undoubtedly will again go through the violent fluctuations of rain and no-rain: What is water worth?

There is plenty there, if it is conserved and managed well. Gibb Gilchrist, a long-time Texas educator and engineer, says this:

"Water is worth money. It is God-given, that is true, but it is free only to the point where it comes within the scope of man's management. . . . The past several years of drought have served, if for nothing else, to make the people in general realize that it is going to cost something to have it in sufficient quantities for good human living."

Just as a starter, the Texas legislature



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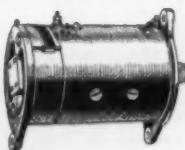
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C-7

"... Texas is so big and diverse that it can't agree on water policy . . ."

DROUGHT starts on p. 45

is being asked this year to set up a \$100-million program to help communities that have no federal water projects. This money would guarantee the bonds of local communities needing to build reservoirs. An additional \$10-million a year is being asked to finance conservation storage additions to federal projects, existing or future. The federal government will not build for conservation storage alone.

• **Too Big to Agree**—Texas has no official statewide water development plan. The state is so big and its sectional interests so diverse that legislative agreement has been impossible. More than one interested Texan is saying that if it doesn't start raining this year, the legislature will have to agree on a policy.

Many conflicts still remain, however. Dallas and Houston are squabbling over Trinity River water. In East Texas, timber owners protest plans that would inundate part of their forest land in an area-wide water development.

No mere price tag explains water's value. Eastern Oklahoma, with a string of bountiful lakes, is experiencing an industrial awakening. Muskogee, which rocked along in the doldrums for years, is on a boom with two industrial plants now abuilding to cost ultimately more than \$50-million and employ more than 2,500. In the same area, Pryor is getting a new nitro-guanidine plant that will cost \$21-million and employ about 500 persons.

Because it is the hub of eastern Oklahoma, which can keep taking large industry indefinitely because of its water potential, Tulsa has a good chance eventually to outstrip Oklahoma City, which is oriented more to the western, and drier, portion of the state. By 1955 estimates, Tulsa's population was 237,000; Oklahoma City's, 317,000.

• **The Small Town**—As big towns grow bigger, the small ones shrink and often vanish. Almost invariably they rely on agriculture, and agriculture has changed drastically. The trend to fewer farmers on bigger farms was under way even before the drought gave it a push.

In the past two decades, Oklahoma's economy has progressed from predominantly agricultural to a point where it now is about one-third farm, one-third oil, and one-third manufacturing.

• **Farm Population**—In drought-stricken western Oklahoma—normally a land of thriving wheat farms and well-stocked ranches—listen to A. M. Benbrook, a 73-year old banker in Woodward:

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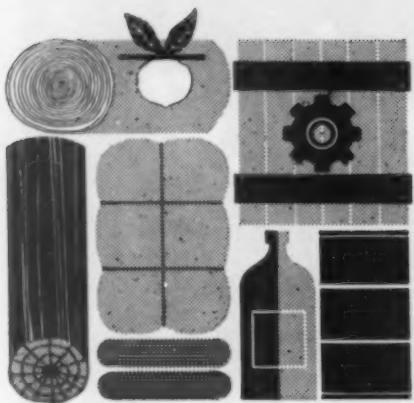
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"When I came to this country in 1911, there was nearly a family on every quarter section of 160 acres. In those days, a farmer could support himself and six kids on 160. Then the dry cycles came along [this is the third one Benbrook has seen] and they began to move out pretty fast. The old boys with staying qualities began to buy up the land."

"Nowadays a man has to have maybe \$15,000 or \$20,000 worth of farm equipment even to get started. That may be worth more than a quarter of land. Ten years ago, 90% of our land was unencumbered, no mortgage. Nowadays, I'd guess at least 80% of it has a mortgage on it."

As the marketing center for a considerable portion of northwest Oklahoma, Woodward is managing to hold its population steady at about 5,000. But in the past year, it lost two automobile agencies, a farm machinery agency, and a ladies' ready-to-wear shop.

Down the street from Benbrook's bank is the unusual "jot 'em down store" of Carl Ticer. Until November, it was a Dodge-Plymouth auto agency combined with a dealership in Minneapolis Moline farm machinery.

Ticer sold out his auto-machinery stock at auction—"while I could still get out short of forced sale." He salvaged his business career by a single thought—"if it's happening to me, it's happening to lots of other people, too." He went into the mercantile business, roving western Kansas, Oklahoma, Texas, and Missouri to buy stocks of failing firms at distress or bankrupt prices.

The jot 'em down store retails daily and sells at Thursday night auctions such items as television sets, wearing apparel, shoes, work boots, toys, housewares. "Even overshoes go good," says Ticer. "It doesn't rain much around here, of course, but they use 'em to keep their feet warm. They won't buy from a regular retailer at \$8.95, but they'll buy the hell out of them from me at \$3.95."

Five blocks from Ticer's store, in the Woodward livestock auction house, another weekly drama is played out. It symbolizes what's happening to plains ranchers. Every Friday, the regular auction day, more hundreds of cattle go through the ring, as many as 3,300 head a day—an unheard-of figure for a country auction house. Sometimes, the auction goes on through Friday night into Saturday morning.

Plains' ranges are bare, and feeding the stock is too expensive. Cattle are being moved east, where there is grass.

A Texas banker notes: "We've got more cattle east of Dallas than west of it now. I wouldn't be surprised to see Mississippi become the new center of the ranching business." **END**



Antique cars parade down Chicago's magnificent new concrete Congress Street Expressway.

"OUT OF THE MUD" or "OUT OF THE MUDDLE" **You can depend on Concrete**



On Illinois Alt. 30 the motorcade moves from a 1915 road (rear) to a pavement built in 1919.

Near Geneva, the inner lanes of U.S. 30, built in 1918, are carrying ever-increasing traffic loads.



Forty years ago America was pulling itself out of the mud. Today it is lifting itself out of a traffic muddle. Now, as then, concrete pavement is the dependable, *low-annual-cost* answer to the problem.

Illinois celebrated its first Good Roads Day in 1914. To commemorate the event a motorcade made a grueling 12-hour trip from Chicago to Sterling, Illinois, in flying gravel and choking dust.

Forty-two years later a motorcade of antique cars made the same trip, now possible in 3 hours, in the rain. Looking down on the new Congress Street Expressway, Chicagoans saw an amazing spectacle—ancient cars on the most modern of concrete highways.

Farther west, near Geneva, the old cars rolled over a four-lane section of U.S. 30, two lanes of which were built in 1918, two in 1931—all still giving good service at *low annual cost*.

Even better performance can be expected of the concrete pavements being built in the gigantic national highway construction program now under way. Today's smoother-riding concrete roads have a life expectancy of at least 50 years. Concrete serves far longer than any other pavement. It costs much less to maintain. And it is the safest pavement, wet or dry, night or day. Write for free illustrated booklet, distributed only in U.S. and Canada.

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In Washington

Congress Starts Its New Session With a Full Line of Investigations

Congress this week is off to a flying start with investigations and plans for investigations:

Oil: Chmn. Joseph C. O'Mahoney (D-Wyo.) of the Senate Antimonopoly Subcommittee is cranking up an inquiry into recent crude price increases, and at least three other Congressional groups are eying the industry. Besides that, Rep. James Roosevelt (D-Calif.) wants the House Small Business Committee to investigate anti-trust aspects in the petroleum industry's distribution setup.

Administration officials: Chmn. Emanuel Celler (D-N.Y.) of the House Judiciary Committee threatens "full-scale" investigation of stock market deals made by Stanley N. Barnes and Edward A. Foote while they were Justice Dept. top antitrusters. Barnes is now on the U.S. Circuit Court of Appeals; Foote resigned last fall. Both have denied legal or ethical violations. The Senate Committee on Government Operations, pointing at an investigation, is asking the White House to authorize access to federal tax returns of Robert Tripp Ross, now on leave of absence as Assistant Secretary of Defense. The aim: To determine whether Ross had a direct financial interest in a clothing concern—headed by his wife—which was awarded an Army contract.

Steel: The Senate Public Works Subcommittee, headed by Sen. Albert Gore (D-Tenn.), will look into the impact of a steel shortage on the federal highway building program.

Electric utilities: A House Subcommittee on Water & Power, under public power partisan Earl Chudoff (D-Pa.), will investigate fast amortization certificates held by the private power industry.

Labor rackets: This one is so juicy that two Senate groups, the Investigating Subcommittee of Government Operations and the Labor Committee, want jurisdiction. Likely solution: a joint committee, with members of both represented.

General Aniline Inches Its Way Toward the Auction Block

Atty. Gen. Herbert Brownell filed a registration statement with the Securities & Exchange Commission this week covering proposed public sale of about 75% of the government-held stock in the huge General Aniline & Film Corp., seized as enemy alien property during World War II.

The step brings the much-delayed sale a little closer (BW-Dec. 1 '56, p156). But further delays are likely. Litigation for return of the property by former owners—the Swiss holding company Interhandel Corp. and individual groups of Interhandel stockholders—has blocked the sale for years. Now, further legal maneuvers will be made by these groups to try to stop the proposed sale.

Any effort to obtain an injunction against the sale will put squarely before the courts the issue of how much stock the government can sell. The registration statement filed by Brownell covers over 426,000 shares of common "A" stock and over 1.5-million shares of common "B" stock; the government is retaining about 25% of the rest of the seized stocks, which it says is more than enough to compensate any legitimate claims that can be established by non-enemy stockholders. The stockholder groups, however, will argue that non-enemy claims actually affect perhaps as much as 85% of the stock, which the government is not free to sell.

At the same time, efforts are once again being made to pass an alien property "full return" bill through Congress. It is being sponsored by Sen. Olin Johnston (D-S. C.).

Investors May Get a Better Break

On Government Savings Bond Interest

Congress probably will be asked to raise interest rates this year on government savings bonds—the series E, H, J, and K bonds. The idea is to bring the yield on these issues into line with other interest rates.

Redemptions in the savings series during calendar 1956 came to about \$8.25-billion against \$5.5-billion of sales, for a net drain of \$2.75-billion. In calendar 1955, redemptions were \$7.3-billion against \$6.25-billion in sales, with the net drain slightly over \$1-billion.

Congressional action is necessary because present law limits interest on savings bonds to 3%. Investors can get more than 3½% nowadays on other types of government securities. The new ceilings would probably be set at 4%.

Excise Bill Bypasses Rate Cuts, Concentrates on Technical Changes

An excise tax bill is almost sure to get early consideration by Congress, but will concern itself primarily with administrative and technical changes—with little prospect of rate reductions. The Forand subcommittee of the House Ways & Means Committee this week approved a mammoth bill that represents a slight revision from the bill approved last year by the committee, but which failed to get floor consideration.

Most of the changes would be technical, but would contain aids to business. For example, liquor and tobacco companies would be permitted to pay federal excise taxes by returns filed after their products are shipped, rather than in advance through the purchase of stamps.

But the subcommittee recommended killing an earlier proposal that manufacturers of tires and tubes pay tax when the products are withdrawn from the plant, rather than when sold.

A new recommendation calls for adding wire and tape players to a proposed new tax of 10% on tape and wire recorders. Also, that the present 10% tax on radios, TV sets, and record players apply to all sets "not of the communication, navigation or detection type." Previous recommended definition called for applying the tax to entertainment-type sets only.



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Sock a big loader bucket into a hard-packed pile! Feel the stepped-up power of the new International® 350 Utility tractor! See how a half-ton greater built-in weight knuckles in to give you traction for the big bites. See how big-diameter pneumatic tires provide full-load flotation . . . even on soft dirt or slick concrete.

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Pick up 4,200 pounds . . . boost it 10½ feet high with fork lift on the International 350 Utility. Over 75 pieces of special-duty equipment can be teamed with 350 Utility power and capacity.



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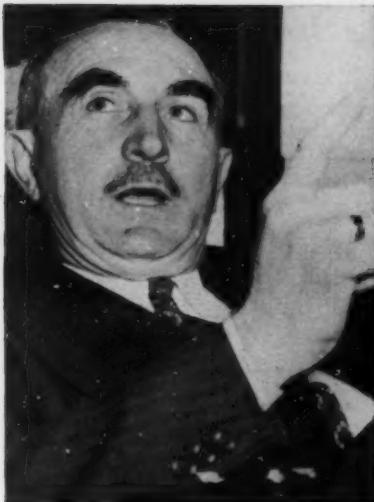
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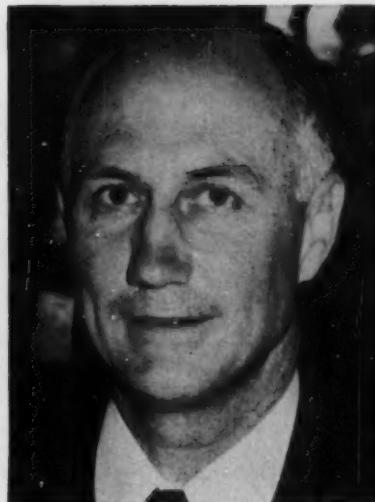
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LABOR



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Three new faces on the Senate Labor Committee are not expected to alter the group's philosophic portrait.

In Congress, No Basic Change

Congressional leaders this week completed membership assignments on the Senate and House labor committees, tapping some new and some veteran lawmakers to handle labor legislation for the 85th Congress. But although the committees show some new faces, their basic thinking appears much the same.

• **The Line-Up**—Here is how the labor committees shaped up this week:

• In the Senate, Democratic Sen. Wayne Morse of Oregon and Republican Sen. John Sherman Cooper of Kentucky are back in committee seats they held previously. Both voted for labor-supported liberal legislation in the past. A third appointee, Democratic Sen. Strom Thurmond of South Carolina, is a newcomer on the 13-man committee.

The appointments filled openings left by Sen. Herbert Lehman (D-N. Y.) who retired; Sen. Paul H. Douglas (D-Ill.) who shifted to the Finance Committee, and Sen. George H. Bender (R-O.) who was defeated.

Majority Leader Lyndon Johnson of Texas deliberately chose the two Democrats to offset each other. Morse, who was pushed for the committee assignment by one of his staunchest supporters, the AFL-CIO, is counterbalanced by Thurmond with virtually opposite ideas on labor matters. With Cooper coming into the committee from the Republican side, the group is likely to retain the same philosophical ratio as in the last session—when the committee was one of the Senate's most liberal

groups although it had in it some of the body's most conservative lawmakers. The committee, headed by Democratic Sen. Lister Hill of Alabama, is still considered "liberal" by a 7-6 margin.

• In choosing House committee members, the Democratic leadership followed its usual practice by picking labor-supported members. For the most part, the Republicans tapped conservative-thinking congressmen. But, as far as the House committee is concerned, its actions depend at least as much on the attitude of its chairman as on the records of the individual members.

With Rep. Graham Barden of South Carolina heading the committee, action on labor issues comes hard and seldom. Barden, who avoids voting by parliamentary maneuvering on most labor-sought issues, seems constantly able to ward off efforts by the committee's Democrats to take up Taft-Hartley, and other issues.

• **Technician**—Three new Democrats, one an expert on labor law, replace either departed or reassigned congressmen of the same liberal make-up. Most experienced in the labor-management field is New York Rep. Ludwig Teller, author of a five-volume series on "The Law Governing Labor Disputes and Collective Bargaining."

Joining Teller on the Democratic side are George S. McGovern, sparkplug of the rejuvenated Democratic Party in South Dakota, and Elmer J. Holland of Pennsylvania. All three are new to Congress.

The Republicans picked five new

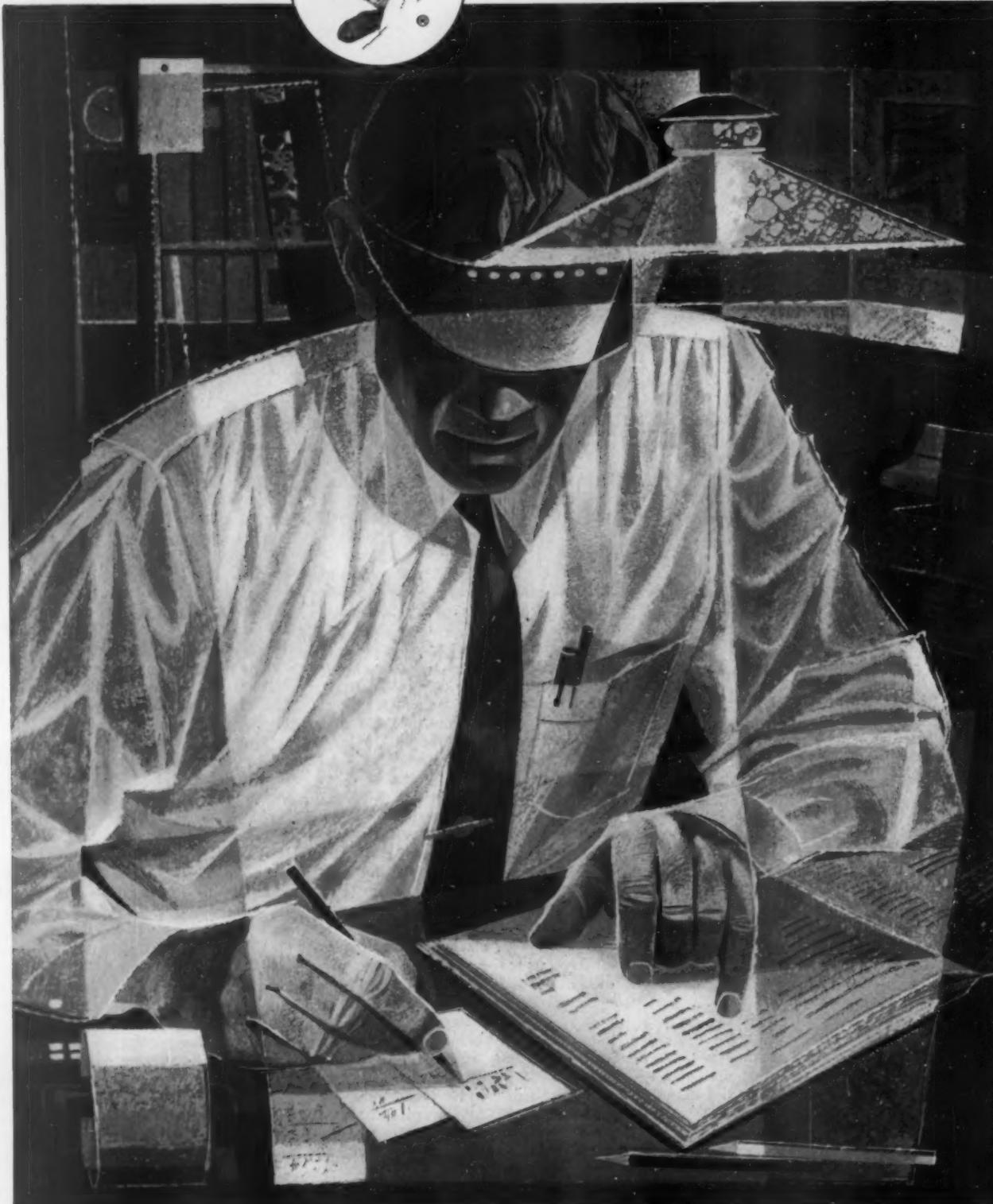
Labor Committee members in all, including three for seats vacated by non-returning members. Rep. William H. Ayres from industrial Akron, O., moves on the committee, at his own request, to press for Taft-Hartley changes supported by industry. Another five-term veteran Rep. Donald W. Nicholson of Massachusetts voted almost solidly against AFL-CIO bills in the past.

The freshmen members are Henry G. Haskell of Delaware, Allen Smith of California, and Michigan's Robert P. Griffin.

The House appointments filled vacancies created when Reps. James Bowler (D-Ill.), Earl Chudoff (D-Pa.), Wint Smith (R-Kans.), and Albert H. Bosch (R-N. Y.) moved to other committees; Reps. Harris B. McDowell, Jr. (D-Del.), Sam Coon (R-Ore.), and Orvin B. Fjare (R-Mont.) were defeated, and Rep. Harold H. Velde (R-Ill.) retired.

• **Administration**—With the structure of the Senate and House committees much the same as in 1955 and 1956, you might expect the same outcome for the spate of labor bills that fell by the wayside before and are now being revived. However, the Administration may make its biggest effort so far in behalf of at least two measures—one amending Taft-Hartley and the other increasing the coverage of the minimum-wage law. If it does, the pressure on the Congressional committees may be strong enough to force them to take favorable action on the labor-backed measures. **END**

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Before we did anything else, we sent in one of our experts to make a study of the town's credit. What was its bonded indebtedness? Its tax rate? Its assessed valuation?

His investigation showed the town finances were in excellent condition. So next we talked to the members of the Town Council. Would they be willing to spend the money? They assured us they would.

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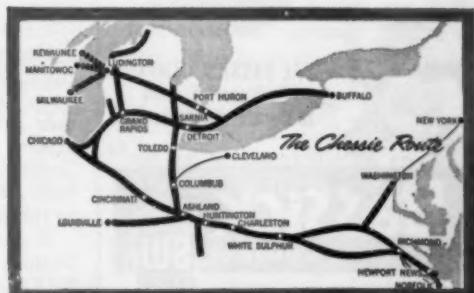
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BASSICK CASTERS help huge hardware wholesaler speed order filling by 50%

Hibbard, Spencer, Bartlett and Company, one of the nation's five largest wholesale hardware jobbers, has materials-handling down to a science.

This midwest company moved about 10 years ago to a modern 20-acre, 1-floor plant from a 13-story building where the elevator wage bill alone used to run \$20,000 a year. In new facilities, designed for efficient materials-handling, two draglines with 420 trucks on Bassick casters handle 15,000 items per day. Over 75% of the orders get one day service.

The same casters are in use on these carts today that were installed 10 years ago. Maintenance has been held to once-a-year lubrication. Bassick factory representatives and the local Bassick Distributor can assist you in selecting casters for efficient, economical movement of any trucks or portable equipment.

ONCE-A-YEAR lubrication is all the maintenance these tough 10-year old Bassick H-99 casters need. They help make the dragline pay off at Hibbard, Spencer, Bartlett and Company.



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MAKING MORE KINDS OF CASTERS... BASSICK CASTERS DO MORE.



JOSEPH E. JOHNSON headed committee that urged U.S. take zestful part in ILO.

U. S. Ponders Role in ILO

Some of the doubt clouding the future of U.S. participation in the International Labor Organization will vanish as the results of a document released by the U.S. State, Commerce, and Labor Depts. this week. It's a report based on a seven-month study by an advisory committee appointed jointly by the three departments to look into employer-sparked criticism of the U.S. role in ILO (BW-Sep. 15 '56, p173).

Headed by Joseph E. Johnson (picture), president of the Carnegie Endowment for International Peace, the five-man panel of labor and foreign affairs experts reached this unanimous recommendation for the U.S.: "continued but more effective and vigorous participation in the ILO."

A specialized agency of the United Nations created long before the U.N., ILO's declared function is to raise world

working and living conditions. The organization is constructed on a tripartite basis. Worker groups and employer groups each get an ILO delegate with one vote; governments get two delegates with a vote apiece. In the U.S., the National Assn. of Manufacturers and the Chamber of Commerce of the United States jointly nominate the employer delegate. AFL-CIO names the labor representative.

• **A Tough Row**—ILO's path to acceptance in the U.S. has been rougher than for most other international agencies. It has come under heavy fire from some employers and some congressmen. (BW-May 19 '56, p169). These attacks reached all-out proportions in 1954, when Russia re-entered ILO, and again last year, when debate raged in the Senate over a bill to raise the maximum level of the U.S.

TRUCKING . . . Vital Transportation Link



43 Fuller ROADRANGER®-equipped tractors added to General Expressways \$8-Million fleet modernization

As part of an \$8,300,000 fleet modernization, General Expressways, Inc., Chicago, recently purchased 43 new International Tandem Drive Tractors — all equipped with Fuller R-46 (8-speed) semi-automatic ROADRANGER Transmissions.

These new RF-195 and VF-195 Internationals will be used primarily on routes between Chicago and Cleveland — and will log 120,000 miles per week.

General Expressways, Inc., is just a little more than two years old. One of the primary reasons for the company's rapid growth and expansion, is the *sound and progressive* planning of its Board Chairman, John Ruan.

A typical example of this planning is the choice of Fuller ROADRANGER Transmissions, based on *complete satisfaction* with 200 ROADRANGERS in other Ruan operations.

"There are several reasons why we specified the 8-speed ROADRANGERS," Mr. Ruan reports. "Low maintenance cost—easier, quicker shifts—bigger average road speeds—greater fuel economy—38% steps between ratios keep engines operating in the high rpm range—less driver fatigue and space-and-weight saving economies . . . these are all important benefits to our operation."

James Spice, Superintendent of Safety adds, "The drivers like the 8-

speed ROADRANGER because of the closely-spaced gear ratios. They can keep their road speed up . . . fuel mileage has been better, too."

These same outstanding advantages that have made Fuller R-46 semi-automatic ROADRANGER Transmissions the *overwhelming choice* of General Expressways, Inc.—can be applied to your operation.

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"... a year ago, NAM and the Chamber placed representation in the ILO on a year's trial . . ."

STORY starts on p. 66

contribution to ILO. Key charges leveled by the employer groups:

- So-called employer delegates from Iron Curtain countries are really not employers at all, but simply puppets controlled by their governments.

- Too much emphasis on legislation and treaty-making, as well as a statist or Socialistic bent, makes ILO counter to American ideals.

- The staff of ILO itself is full of people holding statist and Socialist ideologies.

- The whole organization offers labor an outstanding opportunity to gain one of its most cherished goals—international collective bargaining.

- **Decision**—In less than a month, NAM and the Chamber will take action on ILO representation. Next Friday and Saturday, the board of directors of the Chamber meets in Washington. On Feb. 7 and 8, NAM's board will meet in Boca Raton. Almost a year ago, both organizations placed their participation in ILO on a year's trial and laid down a number of conditions for their continued cooperation. One of these was a demand for an executive investigation, which led to the creation of the Johnson committee.

Some of these conditions have been met, and some haven't. As one of the answers to NAM and Chamber demands, though, the Johnson report is sure to receive close scrutiny as these groups wrestle with the question: Do we nominate an employer delegate in 1957 or don't we?

But the Johnson report has important political consequences, too. Even if NAM and the Chamber refuse to nominate a delegate, the Administration, with the support of the Johnson committee's recommendations, will not hesitate to find its own employer delegate or to ask a friendly business organization like the Committee for Economic Development to do so.

- **Prescription**—As steps toward bringing about the suggested stepped-up U.S. share in ILO affairs, the advisory committee made these recommendations:

- The State Dept., in consultation with Labor and Commerce, should clarify and elaborate the place of U.S. participation in ILO "in furthering our broad foreign policy objectives."

- Government officers, employers, and labor should meet regularly to work out U.S. policy objectives in ILO. These direct, periodic contacts with gov-

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You set your sales objective. Skillfully, Cappel, MacDonald executives will apply to this assigned problem a variety of basic human drives: A man's desire to play hero at home... his longing for luxuries that are beyond his routine income but within his enthusiastic reach... his dreams of travel to exotic lands or a week in the sun at some millionaire's resort... his wish for some tangible, talked-about mark of honor and recognition.

In less than three weeks' time, Cappel, MacDonald can lay on your desk a comprehensive plan based on 35 years' experience in motivating salesmen. Approve it, and you can return to your vital sales management duties—confident that your campaign is in the professional hands of the oldest and largest incentive service company.

No investment... no extra work!
Most campaigns are self-liquidating. Your salesmen win—and you pay—only after extra sales have produced extra profits. Normal distributor and travel agency discounts provide the services of as many as 400 people—executives, prize buyers, trip arrangers and hosts, clerical workers and correspondents, writers and artists who specialize in promotion and sales training materials. Merchandise is billed at wholesale prices, travel at carrier-resort rates, printing at cost.

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"The end result was way above our fondest expectations. We will have the third largest year of our history, including years when we had people standing in line for equipment," reports a farm equipment maker who offered distributors air travel plus merchandise. "Our volume increase was 60%; our retail deliveries were 70% ahead of last year, which means that our distributors have gotten into a position where all items are turning over rapidly."

A leading publisher is equally enthusiastic: "We know of no service you could improve and have never had a single complaint. Unquestionably, the fact that we are having our best year and will break every sales record is tied up with our program."

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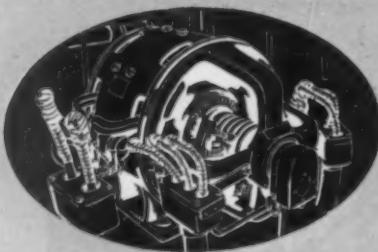


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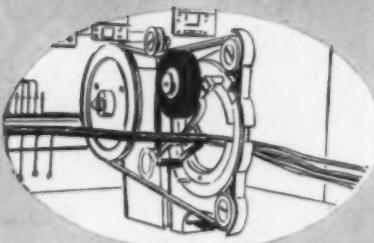


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*"... two employer groups
have gone on record in oppo-
sition to a withdrawal from
the ILO . . ."*

STORY starts on p. 66

overnment policy shapers would give employers and workers the feeling that they had a finger in the American foreign relations pie.

• The U.S. should continue to work toward shifting ILO away from legislation and treaty-making. But, until this change comes about, the government should vote on ILO measures because of the principle involved in the issue, not on the basis of the legislative form the proposed action takes.

The U.S. looked bad at the ILO general conference in Geneva last summer, when it opposed a proposal banning forced labor, not because the idea was wrong, but because the issue came to a vote in the form of a convention—an action that has almost the binding powers of a treaty when ratified by a country.

• ILO technical assistance programs, field services, and research and informational operations should get more support and attention from this country.

• Not only should the U.S. support the tripartite structure of ILO, it should use this setup more effectively to show up the difference between free employers and workers and their Communist-dominated opposite numbers. Much good can come from demonstrations by American delegates that they vote as they choose and not as their government instructs.

• A thorough, hard-hitting educational campaign should come out of the government to publicize ILO's activities and to acquaint employers, labor, and the general public with the purposes of ILO.

• Effectiveness—Opinions differ as to whether the Johnson report will be able to sway the group of employers opposing U.S. participation in ILO, a group "larger than anyone realizes," according to one NAM spokesman. The report sets forth that the group "heard or received statements from virtually all of the people in the United States with major ILO experience." The document should go a long way toward convincing critical employers of ILO's advantages to the U.S., its drafters believe.

However, a number of employers have serious reservations. They praise the report as "an objective, courageous job." At the same time, they point out that many of the suggested improvements rest solely with the government, which is not bound by the committee's suggestions. Thus, these employers are

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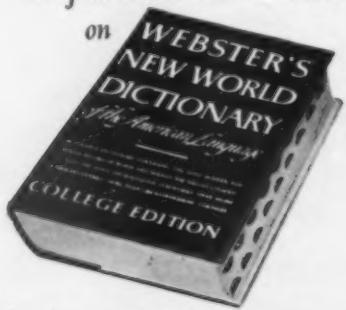
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a little leery about taking any action solely on the basis of the Johnson report.

• **Precedents**—Two large groups have already gone on record in opposition to withdrawal from ILO—the New York State Chamber of Commerce and the Commerce & Industry Assn. of New York, Inc., a New York City employer organization.

Still another report on ILO is pending. It will come from the House Subcommittee on International Organizations and Movements, chaired by Rep. A. S. J. Carnahan (D-Mo.). Hearings were completed last summer, but the crisis in the Middle East has stalled efforts to get out a report. No statement will appear before the end of February, at the earliest.

Do Suits Threaten Unions?

There's no hard and fast answer, but a university study made at union expense found grounds for an "alert" warning labor leaders to watch out, despite few punitive awards.

Has the damage suit been revived and modernized as a method of union-taming?

A scholar who dug deeply into this question for the unions makes no categorical answer, but he says he found enough to cause labor leaders to watch out.

Author of this "alert" is Prof. Milton R. Konvitz, director of a labor law research project at the New York State School of Industrial & Labor Relations, Cornell University. The study was made possible by a grant from the Congress of Industrial Organizations, and supported after merger by the Industrial Unions Dept. of the AFL-CIO.

Konvitz begins by saying that "until recently such suits were considered part of labor history, marked by such pre-Wagner Act landmarks as the Danbury Hatters, Coronado, and Bedford Cut Stone cases.

• **Rising Tide**—"However, since the end of World War II the number of damage suits brought against labor unions and the size of some of the verdicts have suggested the opening of a new anti-labor campaign waged through the medium of damage actions," Konvitz reports.

After adducing all the available evidence, Konvitz concludes:

"The results of the statistical study do not afford positive evidence in support of the contention that damage suits against unions are a formidable anti-labor weapon. The percentage of suits resulting in verdicts against the union is comparatively small, and of these verdicts, many are for only a few thousand dollars. Only a few cases show the award of punitive damages.

"Yet the undertone of danger to the unions is undeniably present. There is reason to suppose that punitive damages are granted in many cases in which the opinions do not state this to be so. The granting of such damages is a ready outlet for anti-labor sentiment since the rules of law regulating the amount are only loosely formulated

in most jurisdictions. . . . The general level of number of damage suits is increasing in recent years, and while the growth in population and industrialization of the country are factors to be weighed in this connection, the upward trend is sufficient to cause apprehension among union leaders."

• **The Sources**—Konvitz studied 325 cases in which damages were the relief, or one of the forms of relief, sought against a union. These were all the cases found in two main sources. One of these sources went back to 1936, but all but 20 of the cases studied were begun in 1947 or later.

However, they do not represent all the damage actions brought against unions. They take no account of suits that never went to trial, because of settlement or some other reason. Most cases tried but not appealed are also excluded, since the majority of such cases are unreported.

• **Doubts**—Konvitz himself suggests how far short of the true total these 325 cases fall when he discloses a report from the Textile Workers Union of America. That union reported thirty-six damage actions against itself, of which only five were included in the 325 studied by Konvitz.

Fifteen cases against the textile union have been settled or decided. Ten of them, or two-thirds, terminated with payment to the plaintiffs, whereas in Konvitz's 325 cases, 66 cases, or a little more than 20%, resulted in payment of damages by the union.

The suggested lesson of this contrast is that unions fare worse than the publicly reported cases indicate, according to Konvitz.

• **Members Rights**—The study classifies damage actions into nine groups. The most troublesome of these involve "interference with employment rights." This groups all cases based on an alleged violation by a union of rights of its officers, its members, or any other employee it represents under a collective agreement where such rights

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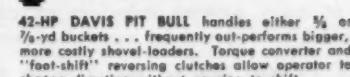
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"... unions are particularly concerned about suits in the South . . . used to hamper unionization . . ."

STORY starts on p. 72

relate to the plaintiff's employment.

The most numerous cases in this group are those brought by an employee who asks damages for expulsion from a union, leading in some cases to dismissal from employment under union shop contracts.

There were 119 suits brought in this category, with final action and damages awarded in 27 of them. In 18 of these 27, the amount of damages ranged from less than \$1,000 up to \$20,000. In nine cases, the amounts could not be learned.

Conceivably, other types of suits, though fewer in number, have cost the unions more. For instance, five suits (four of them under the Taft-Hartley Act) resulted in damages of \$200,000 to more than \$500,000.

• **The Biggest**—The largest amount of damages, \$750,000, was awarded in a suit brought under Sec. 303 of Taft-Hartley by the Juneau Spruce Corp. against the International Longshoremen's & Warehousemen's Union.

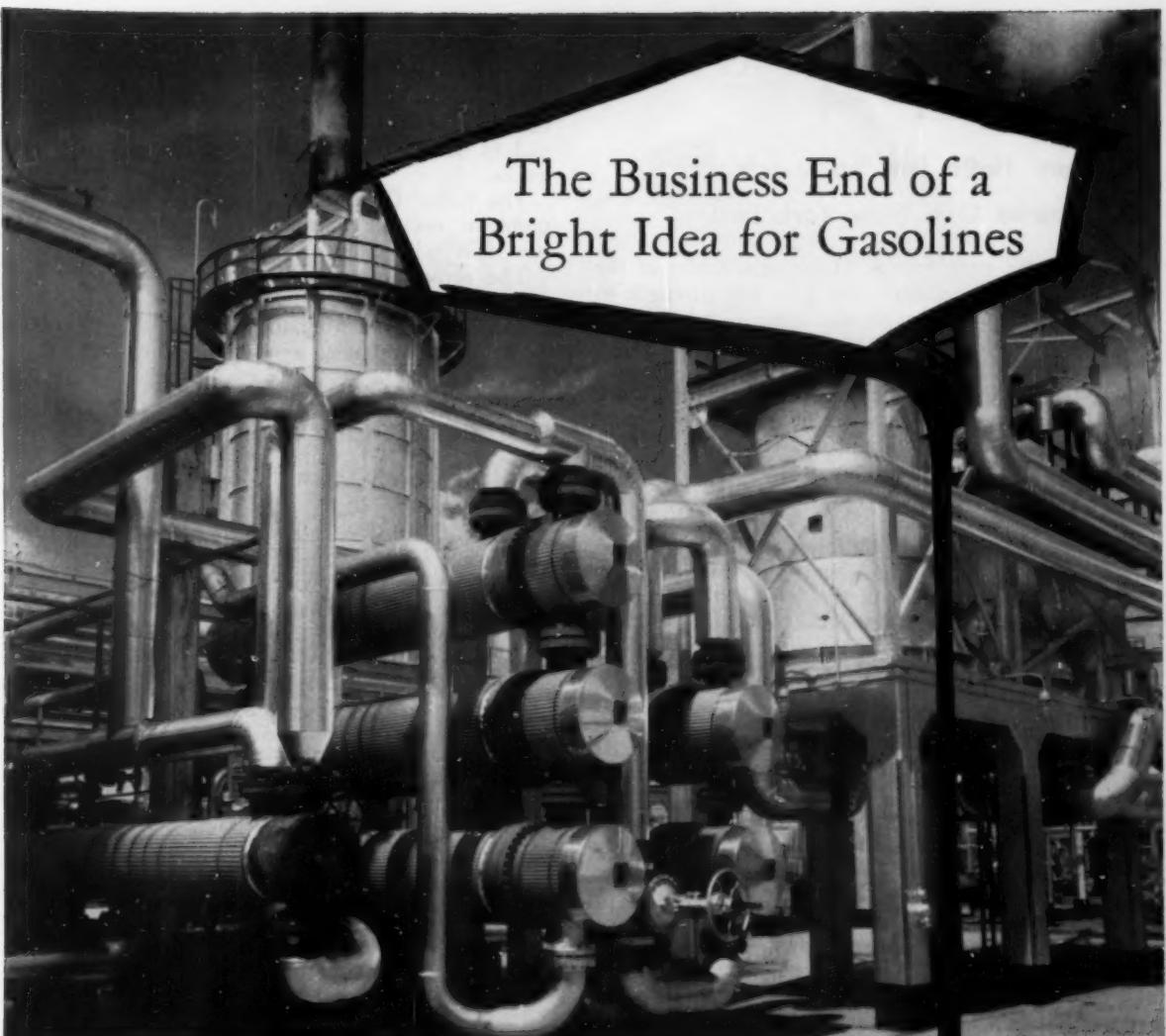
Judgments for damages do not necessarily mean that payment of that amount was made. Sometimes a union is able to reduce the amount by a settlement after final judgment.

Despite union concern about damage suits, an award of punitive damages was made in the final decisions of only five of 66 cases in which damages were granted against unions—and three of the five were personal injury cases.

Konvitz says many union officials have indicated that "it is in considerable part the spectre of large awards of punitive damages that makes damage actions against unions such a serious problem to them."

• **The South**—The unions are particularly concerned about suits in the South, where, they charge, damage actions are being used to hamper unionization. However, Konvitz made a study of a separate sample of cases in which parties other than unions were involved and found that large punitive damage judgments aren't limited to unions. The study disclosed that "the number of large punitive damage judgments in Southern states appeared to be significantly higher in all kinds of cases than in the rest of the country."

Moreover, in checking the distribution of the 325 damage actions, he found nothing extraordinary in the Southern figures. Far more cases (70) arose in New York's federal and state courts than in any other state. **END**



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In Labor

Teamsters' Hoffa Puts on Muscle As O'Rourke Gets New York Post

James Hoffa, controversial Midwestern leader of the Brotherhood of Teamsters, will gain new strength in the East next month with the election of John J. O'Rourke to head the 125,000-member Teamsters Joint Council in New York.

O'Rourke, allied with the powerful Hoffa forces, was assured of victory last week when the incumbent, Martin Lacey, announced he would not seek reelection. A contest between the two in 1956 was finally resolved by a court order upholding Lacey's right to the \$25,000-a-year job.

Wasting no time, the Hoffa forces in the Teamsters—strong in manpower and in money—announced a large-scale organizing campaign in the East, with particular emphasis on unorganized groups in New York.

Supreme Court Will Settle Issue Of License Fees for Union Organizers

The Supreme Court has agreed to review a test case on the right of a local government to charge license fees to union organizers. Unions have charged that such a fee system, commonly used in Southern communities, is intended to stifle union membership drives.

In the case accepted this week, the high court will consider the constitutionality of a Baxley (Ga.) ordinance that requires any person paid to solicit union memberships to obtain a permit from the mayor and pay a fee of \$2,000 a year plus \$500 each for members signed up.

The International Ladies Garment Workers' Union, which petitioned for the Supreme Court test, contends the ordinance violates freedom of speech and assembly and conflicts with self-organizing rights guaranteed workers by the Taft-Hartley Act.

Labor Dept. Scrambles Out of Morass Created by Easing Overtime Rules

The holiday spirit that prompted the Labor Dept. to ease overtime rules and make possible extended Christmas and New Year's holidays wore off quickly.

Wage-Hour Administrator Newell Brown last week canceled a short-lived federal policy that permitted employers to allow workers a day off before or after a holiday, and to schedule a sixth day's work in another week—at straight time—to make up for the added holiday (BW—Dec. 8 '56, p167).

Brown explained that his office found that the relaxed regulations brought on too many administrative headaches. Many employers and unions wanted to make up

the lost days in different ways. In one instance, the parties wanted to do it through 15-minute periods spread over three months.

Others saw the new policy as an opening wedge to further concessions, including a four-day hunting weekend to be made up in two six-day straight-time work weeks.

The Labor Dept. took a look at the accumulating problems, decided the only way out was to cancel the new policy altogether.

The revocation means that the relaxed rules won't apply in similar periods where holidays run into weekends this year—the Memorial Day and Fourth of July weekends, for instance.

First Big AFL-CIO Union Merger Due in March—if All Goes Well

AFL-CIO's first merger of major unions is scheduled in Chicago on Mar. 6. It will result in a new United Papermakers & Paperworkers International Union with an estimated 122,000 members.

Executive boards of the 50-year-old Brotherhood of Paper Makers (formerly AFL) and the United Paperworkers (from CIO) have approved unification. Separate conventions of the two unions will be held Mar. 4 to approve merging. No difficulties are foreseen, and the result seems assured—but in the meatpacking industry several months ago, unification of unions fell through at that final stage.

The new international will be headed by the AFL union's president, Paul L. Phillips. The Paperworkers' Harry D. Sayre will be executive vice-president, and Joseph Addy from the Paper Makers will be secretary-treasurer.

The merged organization plans a drive to sign up about a quarter-million nonunion paperworkers.

Congress Urged to Study Impact On Economy of Private Pension Plans

A study by a Congressional committee—perhaps by the Joint Economic Committee—of the impact of mushrooming private pension plans on the American economy has been called for by the National Planning Assn. Pointing out that two main groups of problems are involved—proper administration of the plans themselves (already considered at length by the Senate Labor Committee) and the longer-term social and economic consequences—the NPA urged a detailed and comprehensive review of the impact of pension plans.

Treasury Dept. figures show that at the end of 1956 14-million people were covered by about 23,000 pension plans. Current estimates put the total amount of fund assets at about \$28-billion; it has been predicted that this figure will be at least \$80-billion by 1975. As NPA points out, these plans play an increasing role in the supply of capital funds, the nature of corporate ownership and control, future claims on consumption resources, the mobility of workers and executives, and the relationship between governmental and private pension systems.

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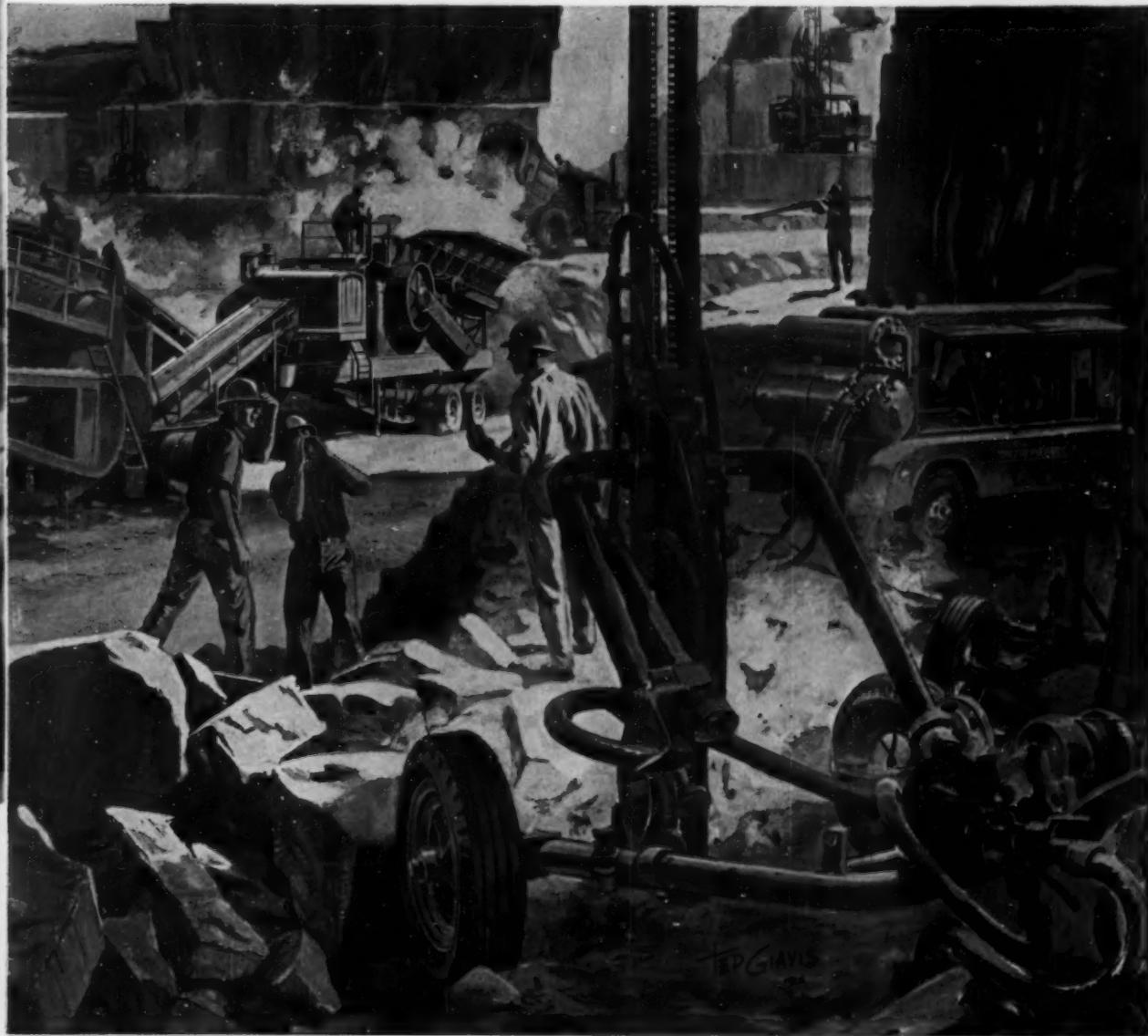
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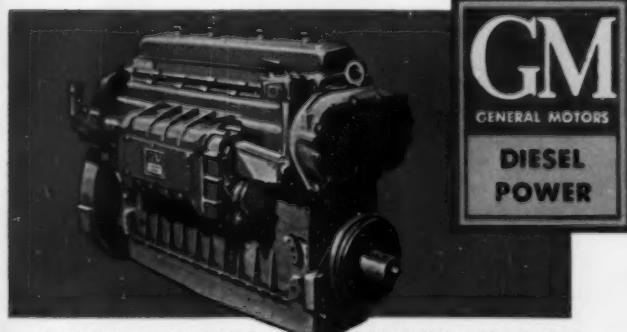
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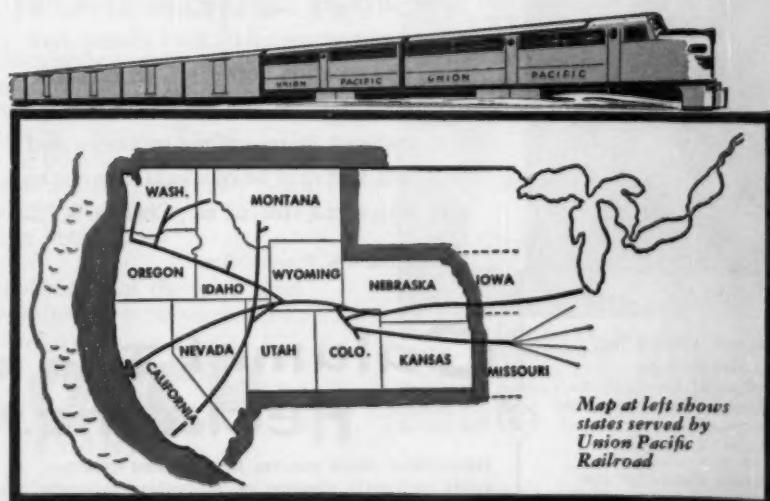
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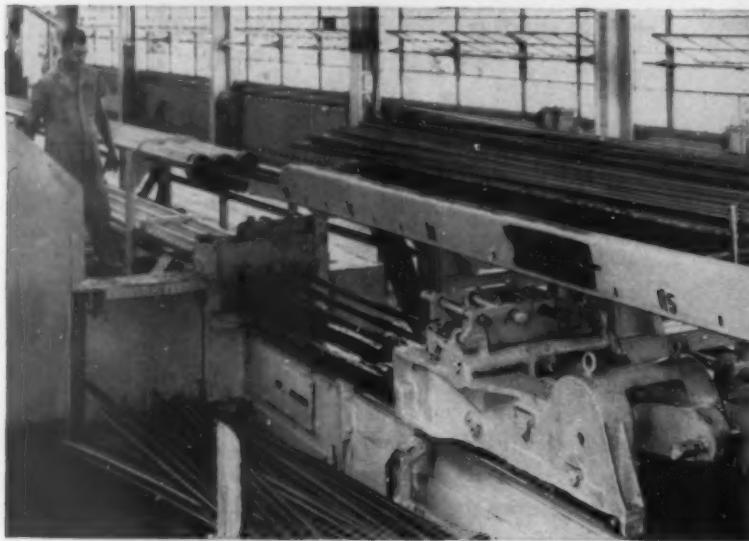
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Nelson 4-cylinder opposed 2-cycle, air-cooled engine manufactured by the Barmotive Products, Inc., of San Leandro, Calif. It can be collapsed into a small package for fast transportation by removing the quick-release pins (bottom picture, page 81) that hold the major components together. And it can be dropped by parachute and set up by troops in the field in less than 10 minutes.

Hiller Helicopters of Palo Alto, Calif., built this model, which is known as XROE-1. Hiller is one of the companies that were selected in 1954 to design and build a collapsible one-way motorcycle under contract with the U.S. Navy Bureau of Aeronautics.

Safer Air Crashes

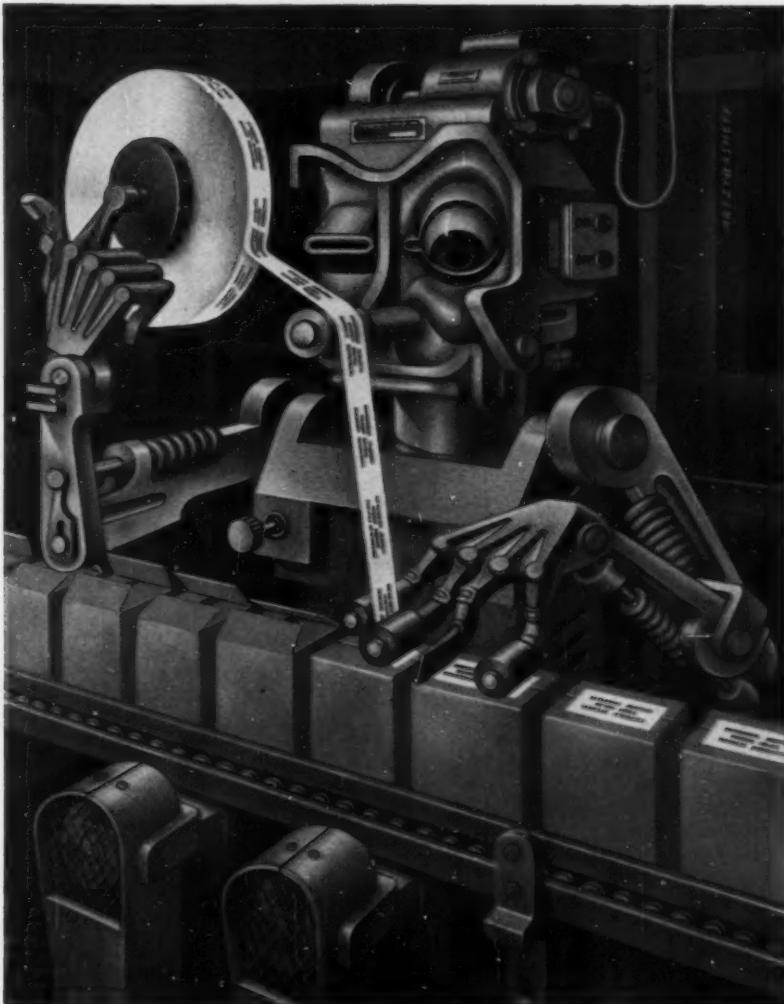
Inflatable nylon bag attached to plane seat back gives passenger better odds for survival.

A ludicrous looking inflatable rubberized nylon bag is the latest serious attempt to reduce passenger injury and death in air crashes and forced landings. When inflated, it duplicates the contour of a seated passenger and fills most of the space between him and the seat ahead. The idea is to distribute the crash impact evenly over the entire body.

The bag is stowed in the back of each airplane seat and is controlled by the pilot. In the event of a crash, he can inflate all the bags in 3 sec. This has two advantages: It gives passengers almost instantaneous protection, and it allows the pilot to wait until the last minute to push the button—thus reducing the possibility of panic. If the pilot control fails, the passenger can inflate the bag by auxiliary methods—if there is time.

The bag itself has handles built into the sides. The passenger grabs them and presses against the inflated bag. Special pads protect the eyes and nose. When his body is forced forward against the cushion by the impact of the crash, air is forced into a balloon-like bag attached to the top of the cushion and a valve keeps the air from rushing back down and causing a violent snapback. For over-the-water flights, there is a life jacket that can be slipped off the top of the cushion. The cushion itself can be used as a life preserver indefinitely.

Asen Jordanoff, designer of air safety devices since 1914, worked on this one for 18 months. He says that it is a definite improvement over the present seat belt safety harness. Jordanoff claims that it (1) helps protect people who are too oversize to use a seat belt properly;



AUTOMATION? you name it...we'll tape it!

The trend in industrial production is toward *automation* . . . and tape application is no exception. There are more than 75 different types of manual, semi-automatic, and automatic dispensers for "SCOTCH" Brand Tapes. These basic types lend themselves to an infinite variety of adaptations. Chances are, wherever you use (or *could* use) tapes, we can provide a dispenser that will enable you to enjoy cost-saving, production-speeding benefits.

DISPENSERS . . . to speed the application of the more than 300 pressure-sensitive tapes for industry, trademarked . . .

REG. U. S. PAT. OFF.

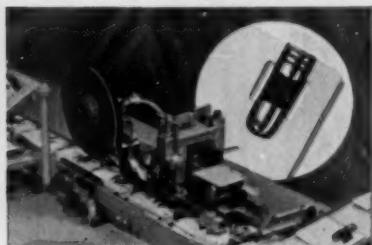
Scotch
BRAND

The term "Scotch" is a registered trademark of Minnesota Mining and Manufacturing Co., St. Paul 6, Minn. Export Sales Office: 99 Park Ave., New York 16, N.Y. In Canada: P.O. Box 757, London, Ontario.

Look what you can do with dispensers!



FLAT-SURFACE applicator, dramatized by Artzybasheff at left, automatically applies predetermined lengths of tape to moving objects at production-line speeds of better than a unit a second.



CARD items — do it automatically with "SCOTCH" Brand Tape. Here, tubes and pre-printed cards are brought into position in "tape stapler"; printed, transparent, or colored tape automatically locks tube and card together.



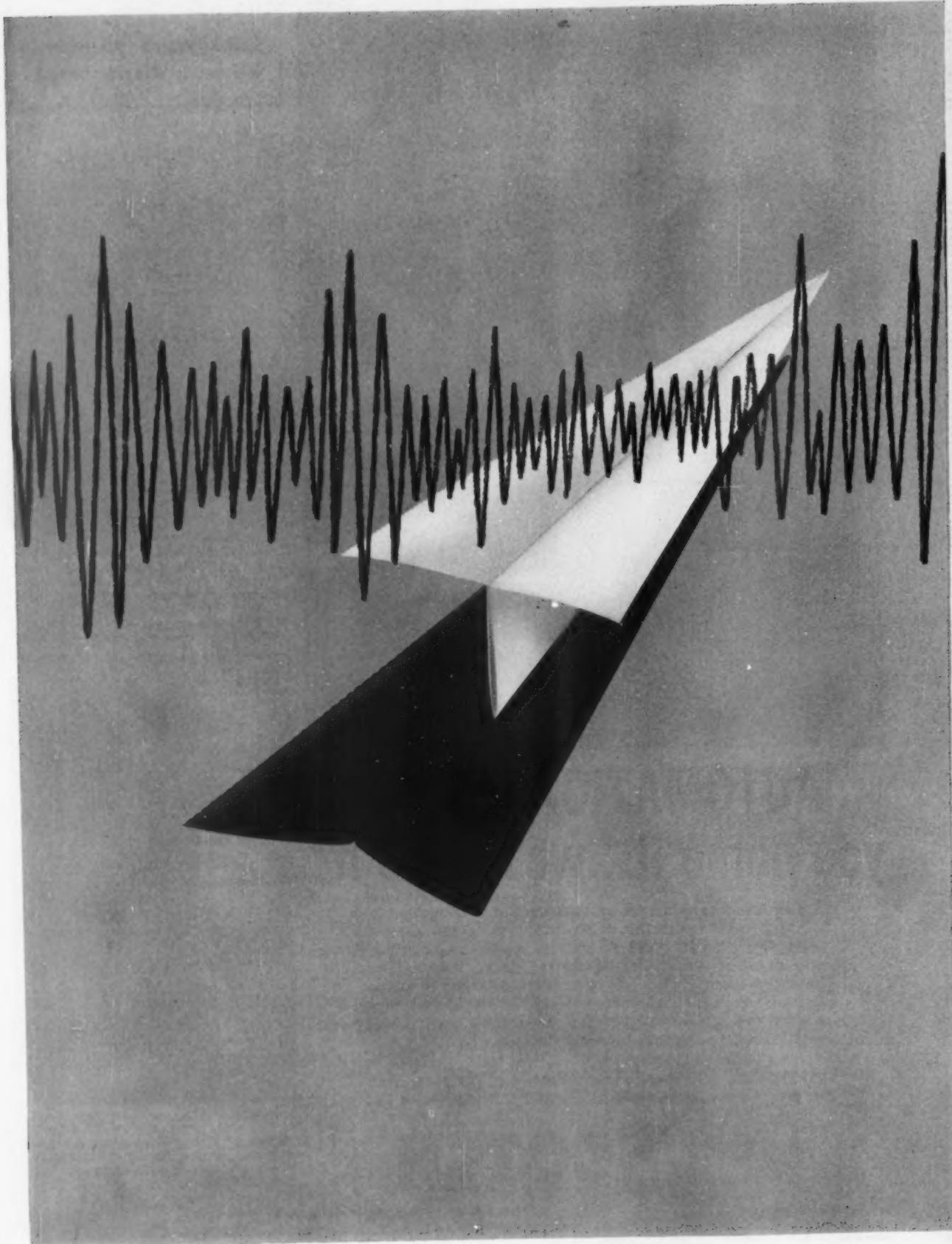
COMBINE two or more same-size packages automatically with "SCOTCH" Brand Tape and "SCOTCH" Package Bundler S-69. Handles up to 75 combinations a minute; special cut-off synchronizer available for printed tapes.



SEND FOR free folder describing automatic, semi-automatic, and manual "SCOTCH" Brand Dispensers for production, packaging, and assembly. Write on your letterhead to 3M Co., Dept. BF-17.



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TEST A PAPER MISSILE

Without actually firing a guided missile, how can you test its "brain" to be sure it will work?

Recently, a manufacturer of missile brains came to Waldorf Instrument Division of Huyck (pronounced Hike) with just that question. Hard-to-get engineering man-hours were being spent in laboriously giving each guidance computer a long series of tests. Could Waldorf design and produce an efficient instrument to test missile brains automatically "on paper" and save those costly man-hours?

They could and did. The first model was about the size of a spinet piano. The delivered devices are about the size of a file drawer. More important, they convert results and print the answers in clear type. Man-hours spent on testing have been cut to less than 2% of the original test time. Another of Waldorf's satisfactory solutions in automation.

Waldorf engineers and manufactures complete systems and instruments in the fields of hydraulics, electronics, and electro-mechanics. These products include instruments, computers, precision controls, test devices, simulators, servo-mechanisms, valves and actuators for industry and the Armed Forces.

Waldorf will undertake creative solutions for your problems, military or commercial, in the development and production of precision instrumentation and controls. For brochure and further information, write to Waldorf Instrument Company, Huntington Station, Long Island, New York.

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Cavendish, Vt., Peterboro, N. H., Arnprior, Ont., Canada

Interesting opportunities for qualified electronic and
hydraulic engineers exist at Waldorf.



when **endurance**
enters the picture

In the 16th modern Olympiad, held in Australia, men and women of all nations gathered in friendly competition to test their skills and stamina. On the boards of the 33-meter cycling track gold medals were won by teams from Italy, France and Australia.

To assure that the track would remain sound and strong and endure for decades after these 1956 records were on the books—all of the lumber was pressure treated with Wolman® salts preservative by Hickson's Timber Impregnation Co., Ltd. This treatment gives the track *built-in protection* against the destructive action of decay and the ravages of subterranean termites.

Wolmanized® lumber is recommended for use where moisture, condensation, high humidity, masonry or ground contact are present. In any climate, under all conditions, Wolmanized pressure-treated lumber is an ideal construction material. In many applications, it outperforms steel and concrete!

So—regardless of where you live, work or play—you'll want to know more about the lumber with time-tested, built-in "endurance."

Wolmanized

Pressure-Treated Lumber



The *HOW and WHY* of Wolmanized lumber and many suggestions for residential, commercial and institutional uses are covered in this handbook. Write for a copy. Wolman Preservative Dept., Koppers Company, Inc., 1450 Koppers Building • Pittsburgh 19, Pa.

W-8

(2) prevents an infant from being ripped from its mother's arms; and (3) eliminates possibility of passengers being thrown sideways into the aisle or hitting their heads against the wall in a bad landing.

The cushion has been demonstrated to both military and civil authorities and is being studied by the Pentagon. Micro-Moisture Controls, Inc., Mineola, N. Y., plans to begin production in the next few months.

Two-Way Car Door

A flexible-entrance freight car, suited for hauling either grain or large packing cases, is being tested by the Canadian National Railways. The car has two adjustable panels that can reduce the size of the entrance without interfering with the outside sliding door.

The panels have piano type hinges and can be folded flush against the inside walls when a 15-ft. 6-in. entrance is needed. This allows two fork lift trucks to enter the car simultaneously with bulky crates. When closed, the panels reduce the entrance to 5 ft. 8 in. and provide extra support for the wooden board used to hold in the grain in all freight cars.

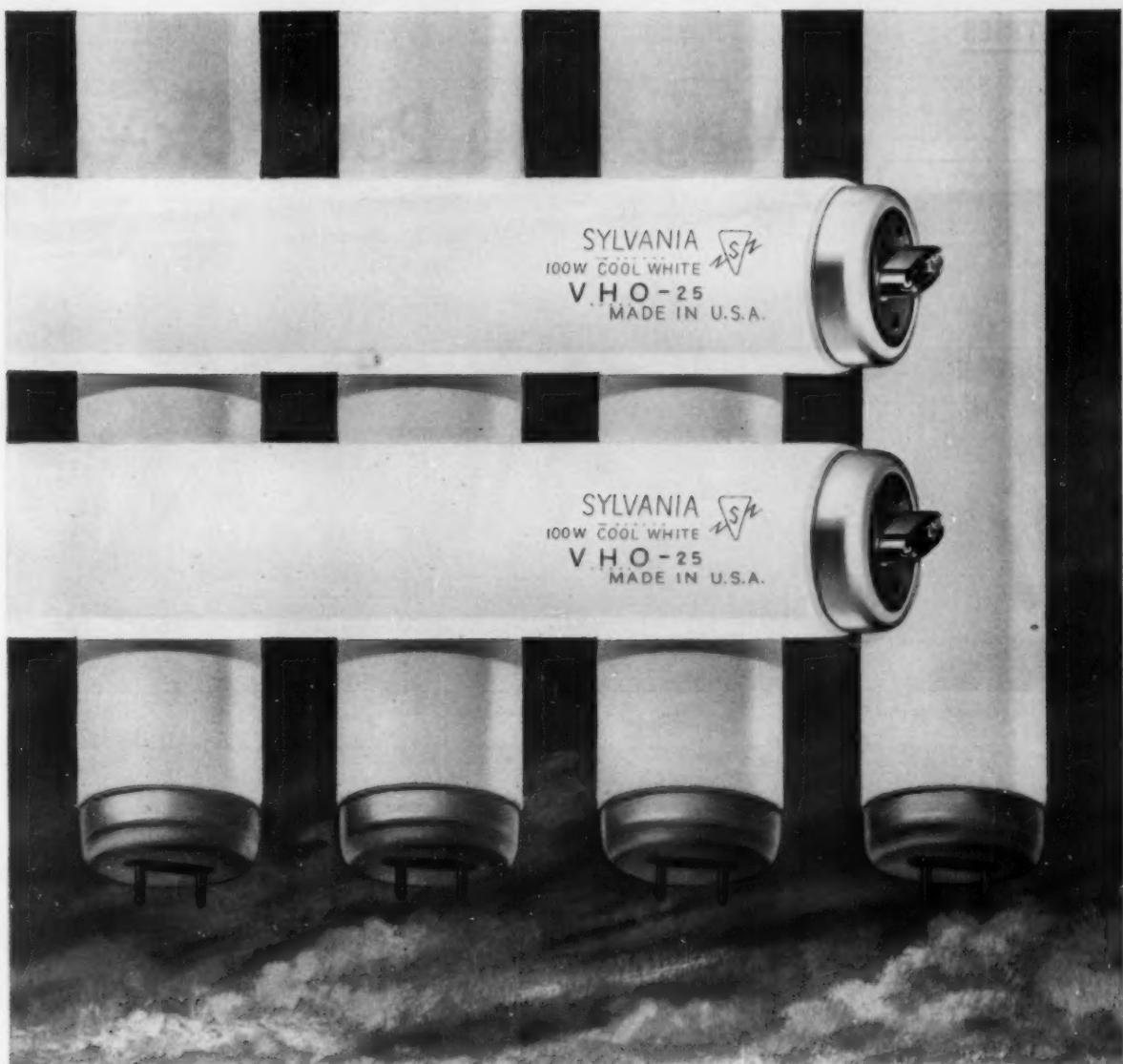
CNR has not placed the car in general service, but reports it has hauled grain successfully and is now being tested on heavy equipment.

NEW PRODUCTS BRIEFS

Indox V, a new ceramic magnet, is reported to have 3½ times the strength of conventional types. It is made from non-critical, relatively inexpensive materials. The manufacturer, the Indiana Steel Products Co., Valparaiso, Ind., believes it is well suited for d.c. motors, synchronous drives, traveling wave tubes, high fidelity loud speakers, and many tractive devices.

A pocket adding machine that does addition and subtraction up to six figures and also works out problems in feet, inches, and fractions to the nearest sixteenth is a new product from Addiator Rechenmaschinen-fabrik C. Kubler of West Germany. It is being marketed by Alexdraft Equipment Co., Pasadena. Prices range from \$16.95 to \$19.95.

An auto muffler that lasts up to 25% longer even under stop-and-go conditions is available under the name Dri Flow. The maker, AP Parts Corp., Toledo, claims it greatly decreases the condensation of exhaust gas moisture and eliminates corrosive cold spots by distributing heat evenly throughout the entire muffler.



The new brighter pair that beats 4 of a kind!

Sylvania's newly developed VHO (Very High Output) fluorescent lamp is the result of a revolutionary design concept that makes possible more light per foot from fluorescent lamps.

The new VHO-25, for example, is a standard 4-foot lamp in appearance . . . yet it produces more than double the light output of 40-watt lamps made up to now. In fact it will require about *five* of your present 4-foot, 40-watt fluorescent lamps to equal the light output of

just *two* 4-foot Sylvania VHO-25 lamps.

This new Sylvania development now makes High-Bay Industrial fluorescent lighting practical and economical. And because fewer fixtures are required, it may be used economically for Low-Bay lighting.

VHO lamps offer new opportunities for increased efficiency and economy in street lighting and other outdoor lighting applications such as store fronts, service stations, parking lots and other exterior

commercial and industrial areas.

For complete information, consult your local Sylvania Representative, or send today for your free folder about the new Sylvania VHO Lamp. Write to:

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60 Boston Street, Salem, Mass.

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Magazine Paradox—Are



They Thriving or Dying?

Even while publishers exult over advertising and circulation figures, they mourn a series of deaths in the family and wonder soberly about the future.

Quiet jubilation—and cries of woe. That's the paradox of magazine publishing today.

Publishers, one after another, are running up signals showing 1956 as their best year ever. *Life* chalked up a \$16-million gain in advertising, pushed its circulation to an all-time high of 5.7-million. *Look*, too, hit new highs. Curtis Publishing expects the figures will show 1956 as the best since 1951.

More important, 1956 was the year in which magazines probably turned an important corner. The industry's margin of profit—the basic measure of its success as a business—almost certainly moved upward after years of decline.

Finally, circulation and advertising—the measures of how well magazines are meeting the basic demands of their readers and their advertisers—certainly continued their long term-growth (chart, page 97).

• **Giving Pause**—But a giant of the industry—Crowell-Collier Publishing Co. with three major magazines—has fallen. The deaths of *American Magazine* last summer and of *Woman's Home Companion* and *Collier's* in December shook the industry. They came after a series of other mergers or suspensions, including *Country Gentleman* (which changed its name to *Better Farming* and then was sold to *Farm Journal*), *Blue Book*, and *Better Living* (a supermarket magazine). Crowell-Collier's obituaries were promptly followed by another's: *Town Journal*.

The combination brought more furor to the magazine industry than it has seen in years. Magazine and advertising people are in a mood of sober reflection, of new appraisal. Some of the industry's critics are calling "woe, woe" and asking "who's next?" From the turmoil is coming a lot of sharp questioning of the basic health of magazines.

• **Diagnoses**—There will be no simple answer to the questions. More magazines may well fold in the next year or two. And the magazine business as a whole, if it can be called an industry, is clearly in a period of transition. But very few things can be said about the industry as a whole, for few businesses are so diverse or sprawling. And the

forces working on it are the whole complex of forces within the American economy.

Collier's died largely for reasons of its own—reasons that reach right back to the basic strategy of magazine publishing. They are, moreover, reasons that are little understood even within the magazine field. And the *Collier's* story is likely to become a classic.

I. *Collier's* and Crisis

How can a magazine with 4-million readers be plowed under?

With *Collier's*, the answers go back years, for major publications die slowly. An Irish immigrant named Peter Fenelon Cooper, who had built up a flourishing small business by selling religious books door-to-door on a weekly payment plan, started his own weekly in 1888. By the early 1900s, it was *Collier's*, a national weekly, with a name as a crusader against such things as patent medicine. In 1919, it was sold to the Crowell Publishing Co., then flourishing with the *Woman's Home Companion*, a pioneer women's service magazine, and *American Magazine*, a monthly thriving on success stories and inspiration articles. Crowell poured \$15-million into reviving *Collier's*. It flourished again, campaigning against the Ku Klux Klan and Huey Long, exposing the evils arising under Prohibition. In 1938, Mark Sullivan, who had served as editor, called it the most influential magazine in the country and one of the most distinguished.

• **Facts of Life**—What happened then can only be explained in terms of the unique characteristics of the publishing business.

Magazine publishing is a curious business with two interrelated sets of customers. When it's viewed as an institution, through the eyes of the public and of its editors, a magazine's readers are its customers, and they have to be pleased. But for most magazines they are not the revenue-producing customers; the money they pay often hardly does more than cover the cost of inducing them to buy the magazine. So, viewed as a business enterprise, a magazine's readers are its product rather

than its customers; a body of enthusiastic readers can be sold to the revenue-producing customers, the advertisers.

A successful publisher is never satisfied with his magazine's performance—in this, he's like other executives. He's constantly reinvesting in his magazine—and in this, too, he's like other businessmen. In the publisher's case, though, he is investing in people. As Andrew Heiskell, publisher of *Life*, puts it: "You are creating the environment and incentives which will lead creative people to work most effectively." The publisher's investment is largely limited to people because most magazines are produced by independent printers.

• **The "Concept"**—This leads to the crux of publishing: A publisher stands or falls on an idea. He'll be successful or not depending on his image or concept of his magazine and how it fits into a rapidly changing America. The target may be as broad as serving the American family—informing people on the full array of problems hanging over them: "When we're all living with an array of Damocles' swords over our heads—from segregation to Suez to Elvis Presley—a magazine has a full-time job simply in showing families how they can meet and overcome their problems." Or the target may be a much more specific side of people: their interests as skiers or as makers of nuts and bolts.

Whatever their concept, magazines win or lose on their ability to keep it sharp and shining.

As Vernon C. Myers, publisher of *Look*, says: "Once that concept fades, your organization begins to fall apart. One salesman is telling one story, another another. Soon you have no more magazine."

The concept, too, has to be double-barreled, since a publisher is really running two businesses side by side. He and his editors have to produce a product that will excite and keep the interest of its readers; and he also has to sell that product to advertisers as a fine medium to get their own message to his readers. It's crucial, moreover, to keep the two businesses separate. It's a tenet of pub-

"... no giant crashes without sending echoes rumbling. Collier's fall set many thoughtful people to looking at the state of magazines generally . . ."

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lishing that once the business office begins to dominate the editors, the magazine will lose the confidence of its readers, and the whole thing is on the skids.

• **Fading Light**—Somewhere along the line, sometime during the late 1930s, Collier's lost the vital concept. Life and Look had been founded on a new concept—picture magazines appealing very broadly to people as people, not to a specialized audience. The Saturday Evening Post brought in Ben Hibbs as editor and began to make itself over into quite a different magazine (BW-Mar. 15 '52, p66). All three began to use new and powerful techniques in merchandising, promoting, and selling themselves. They heavily advertised their editorial features in newspapers, for example. Collier's plowed its old furrow.

World War II gave all magazines a lift; "you could sell anything then." Collier's came into 1946 with what seemed a fine glow of health. Advertisers spent almost \$23-million with the magazine in 1947, its peak year.

But the lack of a consistent concept was showing. The magazine had a series of editors—a new one every two years, on the average. It announced a series of new programs, soon veered from each.

• **Mixed Reactions**—Strangely enough, the results showed on the business side of the magazine, not on readers. Collier's continued to gain readers fairly consistently. Circulation climbed from 2.8-million in 1947 to 3.7-million in 1955. Last year, with the help of a transfusion from American Magazine, which folded in mid-year, Collier's topped 4-million.

But advertisers found it different. As the media director of one of New York's biggest agencies put it: "It's no longer enough to sell mere millions of readers. A magazine now has to create a personality for itself in people's minds, it has to have a character, and it has to have force. Collier's could prove to us that it could reach millions of people more cheaply than its competitors, but it couldn't prove that it was effective."

Their clients, the advertisers, seemed to know it, too. "We'd go along with a company's sales manager when he was holding his annual sales meeting. If he got up and announced that this year his company was making its big advertising push in Collier's, the salesmen just sat there. If he said Life,

they'd get up on their feet and cheer."

• **Treatments**—By 1953, Collier's advertising salesmen could bring in only \$16.3-million. In that year, Paul Smith, who had been made editor of the San Francisco Chronicle in 1935 when he was only 27, was brought to New York as vice-president of Crowell-Collier. The same month, May, Collier's underwent its most drastic surgery: It was made a biweekly, in an attempt to cut costs by producing only 26 issues a year, against the 52 of a weekly. Smith became president on Jan. 1, 1954—and promptly went out to borrow \$2-million to meet the month's operating bills. In all he borrowed more than \$10-million as the losses mounted.

Last summer, a new group came into Crowell-Collier. It was headed by J. Patrick Lannan, a special-situations operator who sits on the boards of more than 20 companies, including Servel and the Chicago, Milwaukee, St. Paul & Pacific RR Co. By December, Collier's was down to the thinnest sprinkling of ads and, with Woman's Home Companion, had run up a loss for the year of \$7.5-million.

• **Life or Death?**—Lannan, now in control, and other members of the board met on Dec. 14 to make the toughest decision in publishing: There is nothing simple about folding a magazine. The two magazines had an obligation to their readers of something like \$15-million: Millions of readers had paid hard cash for subscriptions that still had two weeks to two years, or more, to run. Simply to shut down the magazines and refund the money would cost millions.

But the company still had assets. It had two circulation-sales companies that were profitable. And it had a book company that in 1956 sold some \$25-million worth of encyclopedias and other books, and made a profit reported at more than \$5-million.

To revive the magazines, the other possibility the board had to weigh, might take years, could easily cost \$20-million.

• **Last Rites**—The decision was to close the magazines. Gardner Cowles of Look bought the two circulation companies for \$1.6-million in cash, put another \$1-million against a mortgage on Collier's printing plant, and assumed the liability to fulfill Collier's subscriptions. Look will offer Collier's readers any one of a group of magazines, or cash. Look itself hopes to pick up 1-million subscribers, which will

put it over the 5-million mark. Negotiations are still going on for another group of publishers to take over the Woman's Home Companion subscriptions.

So died a magazine giant.

• **Another Casualty**—Within days, the announcement came that Town Journal would be folded with its January issue. Launched three years ago as a companion magazine to Farm Journal, it was a news and feature magazine for small-town readers, "the non-farm, non-metropolitan" market. But that was a concept that its publishers in Philadelphia couldn't sell, or couldn't sell fast enough, to advertisers. Town Journal lost about \$1-million in 1956. Madison Avenue's reaction to Town Journal was perhaps best summed up this way: "They couldn't convince us that the small-town reader—in this day and age—was very much different from his big-city cousin."

So Town Journal's case is parallel to Collier's. It, too, had readers—about 2-million of them. But on the business side of the magazine, the job of selling advertisers, Collier's seems to have lost its own concept of what a magazine was. Town Journal, while it had a sharply defined concept of its role, couldn't sell that concept.

II. The Health of Magazines

No giant crashes without sending echoes rumbling. Collier's fall set many thoughtful people to looking at the state of magazines generally. And the questions they're asking are sharp:

- Is the industry "maturing" like the auto industry—so that the U.S. will have fewer, although bigger, magazines?
- Is television, with its enormous bite on advertising budgets, forcing out magazines?
- Is the industry reaching the point where it will be no longer possible to start a new consumer magazine?

The industry's critics go well beyond this. Bernard P. Gallagher, New York magazine broker and publisher of a newsletter for the industry, charges that the industry's past record is devastating, that its future is a question, that the industry fails to manage itself efficiently and so is slowly dissipating itself. He claims many of the top magazines are really running in the red.

• **Definitions**—When you go to looking at the magazine industry, you come up against a huge cluster of diverse enterprises that can hardly be corralled into one pen. There are about 7,000 periodicals published in the United States. Of these, more than 2,000 are business papers, a group that is thriving as American industry expands. Many others are special publications. And this list isn't all embracing—there is, for example, a group of so-called "one shots,"

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can wrap and seal thousands of packages an hour.

NO OTHER TRANSPARENT MATERIAL PERFORMS SO PERFECTLY ON HIGH-SPEED PACKAGING MACHINERY.

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A corner on hauling profits

Profitable hauling depends on more than just payload capacity. A big factor is the money you have to spend on maintenance over a year's time. Here's how Gar Wood - St. Paul dump bodies and hoists deliver big maintenance savings:

Gar Wood - St. Paul dump bodies are structurally stronger at all critical stress points. Corner posts, running boards and full-width rear apron are integrally welded . . . tailgate is box-section reinforced. The result is a body that can take the punishment of shock loading . . . that can't warp, sag or spread even under the strain of dumping on steep grades. Yet, with all this built-in strength, excess weight has been eliminated to give you more payload capacity.

Big payloads? Sure. Just name the capacity you need and there's a Gar Wood - St. Paul dump body and matching hoist to meet it. But before you decide, check the design differences that can mean profit or loss over the long haul. You'll find that Gar Wood gives you more to bank on!

GAR WOOD INDUSTRIES, INC.

Wayne, Michigan

Plants in Wayne and Ypsilanti, Mich.; Findlay, Ohio; Mattoon, Ill.; Richmond, Calif.



Truck Cranes



Tractor Equipment



Frate-Gates



Load-Packers



Hoists & Bodies



Ditchers

"... practically every one of the top magazines is either closely held . . . or one of a group . . ."

MAGAZINES starts on p. 88

which have prospered selling such things as the life story of James Dean on the newsstands.

If you limit yourself to strictly consumer magazines, excluding comics, you have a group of about 280, as counted by the Audit Bureau of Circulations. Even here you have many—such as the magazines published by veterans' groups and the Sunday supplements—which are hard to classify.

Focus down even to the big consumer magazines—the top dozen or so that you will see on newsstands or in mailboxes everywhere—and you have another problem. Practically every one of the top magazines is either closely held, so that earnings are not reported, or it is one of a group published by the big publishing houses. Time, Inc., has Life, Time, Sports Illustrated, and Fortune among its major magazines; Curtis Publishing Co. has Saturday Evening Post, Ladies' Home Journal, Holiday, and Jack and Jill. Most of the big publishers have subsidiaries: book companies, circulation companies, printing companies, paper mills, woodlands, TV and radio stations. Time, Inc., recently sold large holdings in Houston Oil Co. and St. Regis Paper Co. The result: Only their publishers can be certain as to the health of any one magazine.

• **One Index**—But the industry has a basic set of figures that does underline its problems: The Magazine Publishers Assn. has collected profit figures over the years from 35 publishing houses, which in 1955 produced 124 magazines of all types. The figures are based on magazine operations only.

The records:

In 1935-39, the group had average annual gross revenues of \$173-million, net of \$11.6-million. In 1955, total revenues were almost \$750-million; the net \$19.4-million. So 20 years have multiplied the gross more than four times while net has slipped from 6.7% to 2.6%.

The leaders have raised their margins. From 1947 to 1956, Time, Inc., for example, has both grown rapidly and raised its net. And the laggards, of course, have slipped more than the average—which concerns the critics.

In 1956, however, the average probably began to move upward. The reason: While production costs have moved relentlessly higher in the postwar years, magazines have generally raised their advertising rates only proportionately



No . . . the IBM Electric can't handle the petty cash but . . .



it will produce
better typing . . .
save time
and money, too!

The IBM gives you typing to be proud of—always uniform no matter what touch a typist uses. And it's the world's *simplest* electric in design and operation, the most *dependable* in performance.

The IBM saves money, too, because it helps turn out more typing in less time—helps handle more business without added secretarial expense.

And remember, IBM is the world leader in electric typewriter progress—the only electric available with proportional spacing and *electronic tabulating*.

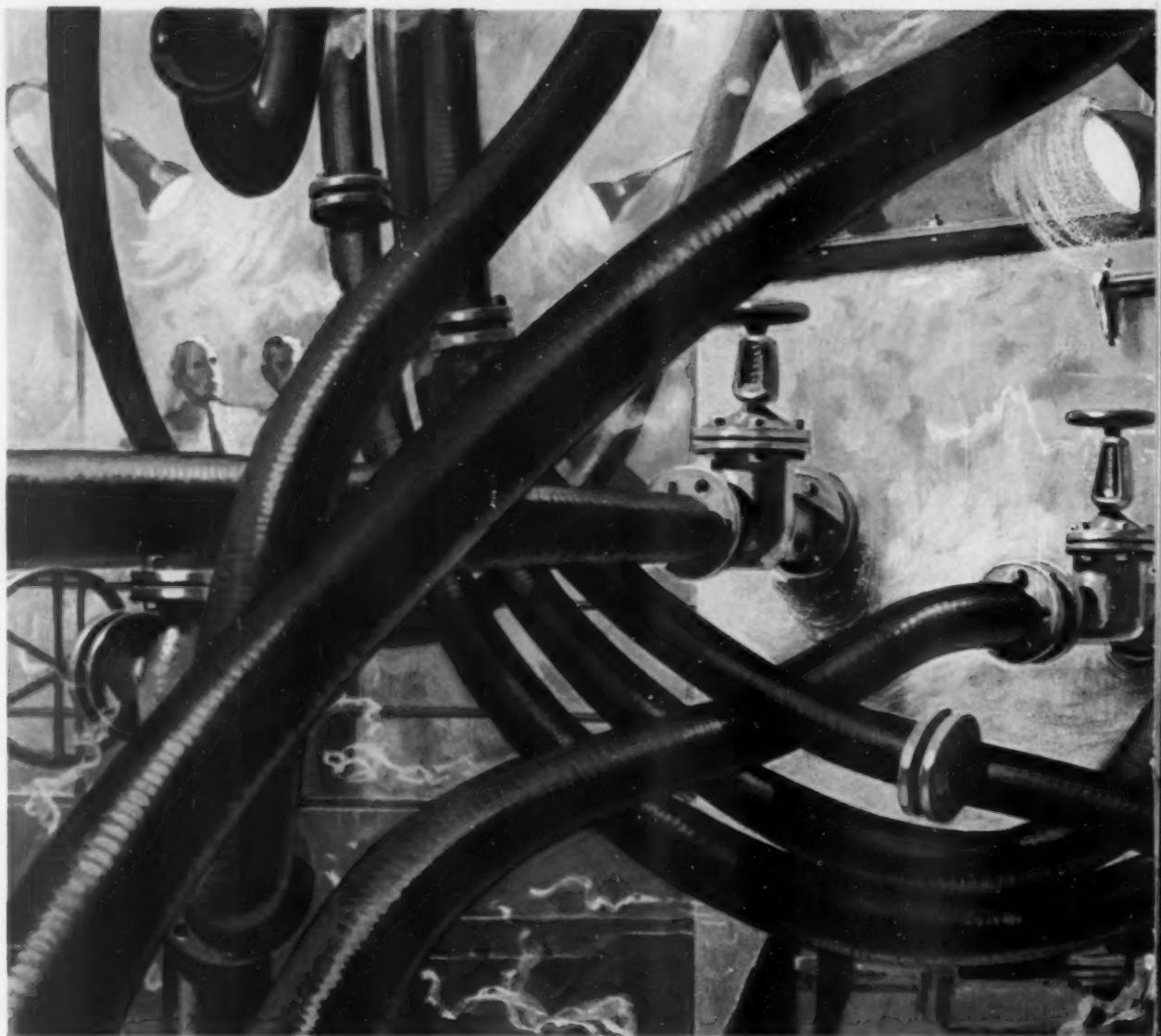
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The IBM Electric is available

 in these 7 handsome colors

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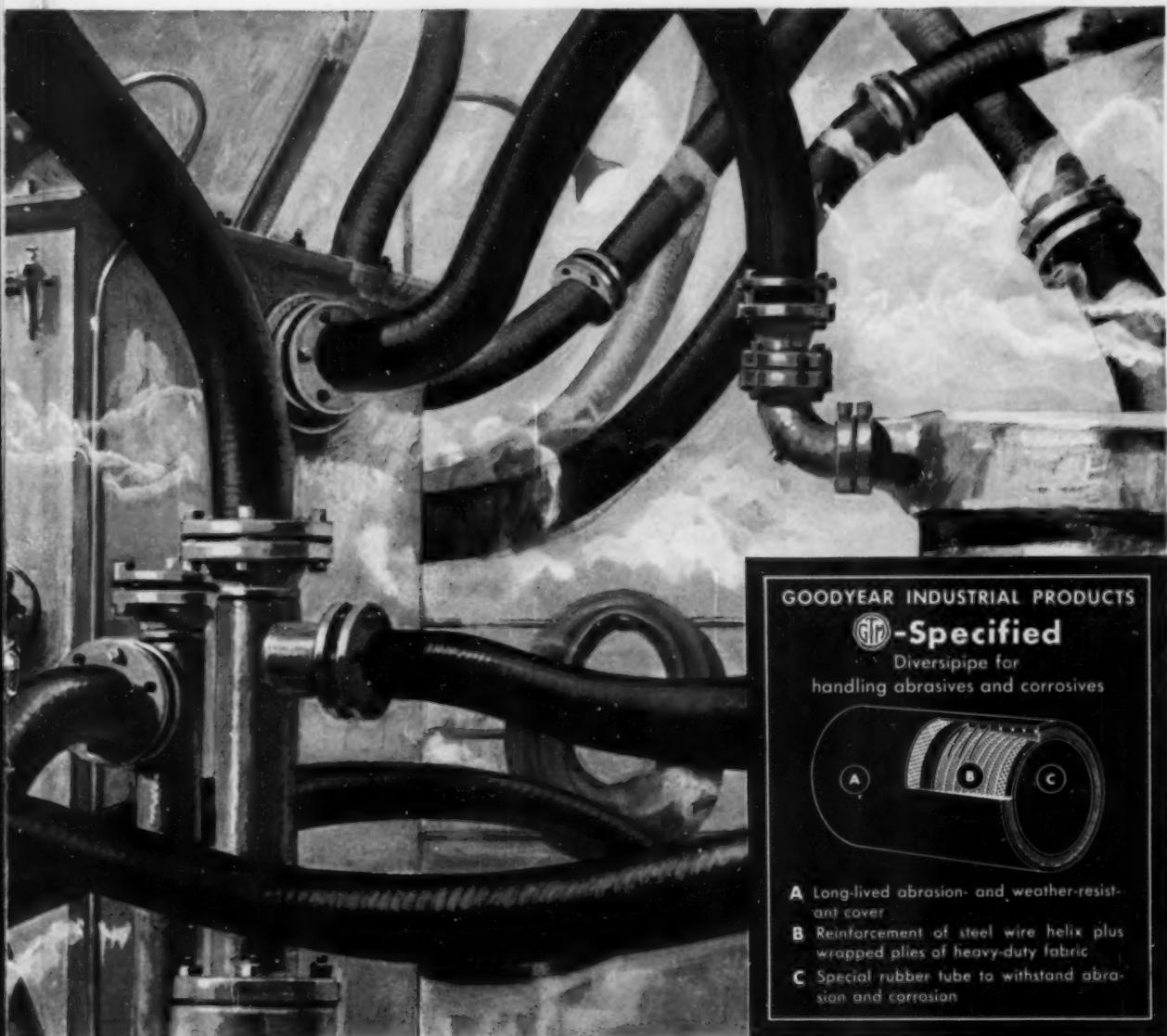
A sure cure for

A matter of life or death for many of today's plants is to keep staggering quantities of process materials coursing through complex piping systems. Often these are highly corrosive acids or extremely abrasive slurries which can chew through the stoutest steel pipe in days, even hours. At one Southwestern fertilizer plant, it was both—abrasive phosphate rock mixed with searing sulfuric acid.

From the very start, the engineers knew steel pipe couldn't handle this hungry combination. Heavy iron pipe was considered, but rejected. It was high in cost, involved expensive fittings and would have to be dismantled to be cleaned, should clogging occur.

Then someone thought of hose. Surely it could resist the twin-pronged attack. And its flexibility would solve the fitting and clogging problems. Several types of acid hose were tried. But they proved only a partial answer with all of them failing in a *scant two or three months*.

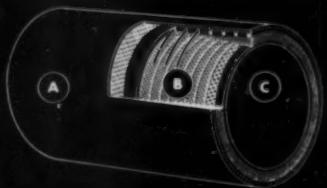
The complete answer came only after the G.T.M.—Goodyear Technical Man—was called in. After careful study, he specified Diversipipe, especially designed to the job. This husky, flexible rubber pipe easily answers the fitting and clearing problems—*lasts up to two years*—fills the bill so well that over 15,000 feet are now in use to keep this plant running.



GOODYEAR INDUSTRIAL PRODUCTS

G.T.M.-Specified

Diversipipe for
handling abrasives and corrosives



A Long-lived abrasion- and weather-resistant cover

B Reinforcement of steel wire helix plus wrapped plies of heavy-duty fabric

C Special rubber tube to withstand abrasion and corrosion

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If your plant suffers from arteritis—piping problems caused by corrosion or abrasion—see the G.T.M. He has 45 constructions of Diversipipe plus hundreds of other types of hose from which to prescribe the right cure for your plant's ailment.

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IT'S SMART TO DO BUSINESS with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

See "THE GOODYEAR PLAYHOUSE"—TV—Sunday 9-10 E.S.T.

GOOD YEAR

THE GREATEST NAME IN RUBBER

Fresh fish for Phoenix

Today, wherever you are, you can enjoy perch from Nova Scotia, salmon from Puget Sound, shrimp from the Gulf—*whenever you like*.

There's no longer a "season" on fish. Frozen food packaging captures and holds fresh-caught flavor . . . delivers it to you, months later, many miles away.

It's a booming business. In 1950, only 42 million pounds of fish and sea food were frozen in packages for home consumption. Four years later the amount more than doubled to 89 million pounds. And it's growing bigger every year.

As America's leading supplier of food packaging, Marathon has played a big part in making this growth possible—by developing packages that bring down costs, protect flavor and catch the shoppers' roving eyes.

There are no "seasons" at Marathon, either. Here research and product development never cease in the search for new methods of packaging, new ways of merchandising to wider markets. Marathon leads in food packaging because it *controls and constantly improves* every step in production—from the seedling tree to the printed package.

MARATHON  **CORPORATION**

Menasha, Wisconsin

In Canada: Marathon Packages Limited, Toronto



Things look bright where **MARATHON** goes to market

as they raised circulation. "We're raising rates 10%, but we'll guarantee 10% more readers," the argument goes. In 1956, though, publishers raised rates slightly more than circulation went up.

- **What Size Slices?**—The relative shares of circulation and advertising in the revenue totals are a mystery that most magazine publishers won't unveil to the curious public. But Fred Bohen, president of Des Moines' big Meredith Publishing Co., did describe circulation income as "a much more important factor now than in prewar days." He continued: "Top magazines have greatly increased circulation revenue. It has been a very big factor in permitting magazines to keep advertising rates reasonable."

The 1956 boost in advertising rates was a major move on the industry's part to combat a major problem: costs. Since 1947, costs, particularly the cost of building circulation for the magazines reaching millions of readers, have climbed sharply. In addition, printing costs have gone up about 40% and paper about 50%.

- **Signs of Life**—There is other evidence that there's vitality in magazines. Circulation is up more than the population has grown: 25% from 1947 to 1955, while the population grew 16%.

And, if you're willing to make a big gamble, the chances are that you could start a new magazine. ABC's number of consumer magazines other than comics has grown from 243 in 1947 to 281 in 1955. Holiday, Ebony, and TV Guide are testimonials to the possibility of starting consumer magazines.

Publishers look for more magazines, too—but they're likely to be more or less special magazines. "If you can cater to an interest like boating, and keep your circulation under or not too far over a million, you may have a flourishing property," says Gallagher.

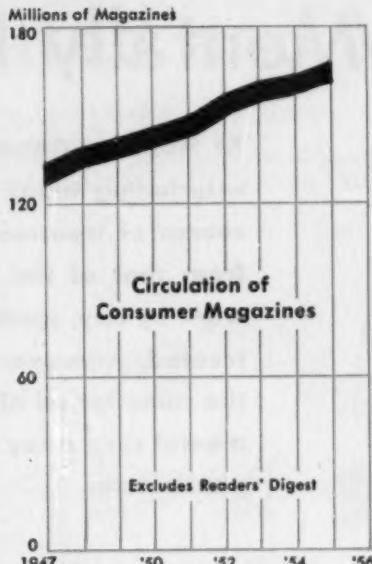
III. The Big Boys and TV

The real questions about the future of magazines center on the biggest of them all—those like the Reader's Digest, Life, Look, and Saturday Evening Post, and the biggest of the women's magazines and home service magazines.

As one Madison Avenue media man puts it: "There's quite a group now that are printing 5-million magazines with each issue, and claiming 20-million readers or more. With audiences that big, you are going to people, just people. You can't claim much in the way of distinguishing characteristics for your audience. And you are right up against television—which can play the numbers game better than anybody."

- **Toll of TV**—So far, TV's impact on magazines has been surprisingly small. In less than 10 years, TV has become practically universal, may be taking

The Basic Measures of Magazines' Health



Data: Audit Bureau of Circulation;
Printers' Ink Advertisers Guide to Marketing, 1957

more of people's time than is gainful employment (BW—Special Report, Mar. 10 '56, p76). But the magazines have gained, too—circulation and advertising have grown steadily.

TV has had one measurable impact on advertising. It has not led advertisers generally to shift from magazines. But it has led them to concentrate their spending—to buy more pages, more frequently in the leading magazines. This has meant there's less for the marginal magazines. In this way, TV undoubtedly had some impact on Collier's.

But, over-all, TV has seemed to lead advertisers to increase their budgets so much that almost all categories of media, except radio, have grown.

- **Johnny Still Reads**—Nor, apparently, has TV crowded out magazines by commanding so much of viewers' time that they no longer read. And leading publishers and editors don't believe this will be a problem.

Heiskell of Life probably sums up the case best in this way: "World War II brought us a cultural revolution that still isn't fully appreciated. In the very business of shipping 12-million or more Americans around this country, around Europe, and around Asia, the U.S. gave its people education on a scale undreamed of before."

And it is a much more literate population than ever before. College enrollments have roughly doubled since before World War II, are expected to double again.

- **Eager Buyers**—Finally, there's the "more and more" principle. Publishers know from their audience studies that families who now take a lot of maga-



Data: Printers' Ink, BUSINESS WEEK Est.
© BUSINESS WEEK

zines are the best prospects in selling another. They're families who buy the most records, go to the most concerts, travel the most, have the most hobbies. In short, they're highly skilled consumers—consumers not only of goods and services but of information and ideas.

The magazines believe they're meeting the challenge those families present. Life, almost from its very beginning, has been slowly upgrading itself to become the mass educator. An advertising executive points out that Look, with its reports on anti-Semitism and on the Emmett Till murder case, did things that magazines probably wouldn't have dared 10 years ago. Editors Ben Hibbs and Robert Fuoss of the Saturday Evening Post are constantly changing their operations. Last year they sent John P. Marquand back to the Orient to write a serial like the Mr. Moto series for which he was famous in the 1930s. (One measure of magazine economics: For this one novel, by the time you count in serial, book, and other rights, Marquand will collect \$1.6-million.) At the other end of the spectrum, Post editors weigh the possibility of more material to appeal to intellectuals.

- **"Concept" Again**—In short, there's no pessimism among those who know magazines best. They see magazines growing and expanding as the U.S. population grows, raises its literacy level, and grapples with the increasing problems of an increasingly complex society. But it will only be the magazines that have a sharp concept of themselves and the U.S.—the magazines that are "doing a real job in meeting a real need" that will share the future. END

How a Mentally Ill Executive



At Montreal General Hospital, mental patients—including many active businessmen—get a course of treatment that is radically different from that of the usual mental hospital. They work by day, spend nights at the hospital being treated, wherever possible, by a routine that's the same for all of them. Result: a high ratio of mental case cures at less cost than for full hospitalization.



Businessman patient checks in after work, much as in a hotel.



Can Get Treated and Work, Too

THE BUSINESSMAN at left, carrying his overnight bag up to the front door of the Montreal General Hospital, looks more like an average traveler enter-

ing a hotel than the classic picture of a mental patient.

Yet he is actually a patient of Montreal General's Psychiatric Dept. He

and dozens of businessmen like him have been judged mentally ill, in need of hospital care. They are being treated by a novel method that is attracting



To accentuate the personal relationship, doctors who give individual psychotherapy lounge beside a patient instead of sitting out of sight.

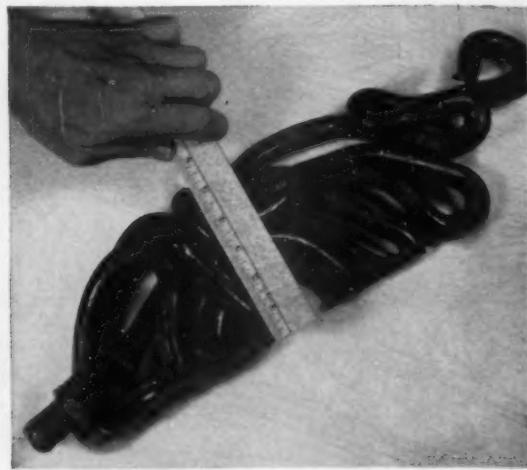
Only STEEL can do so many



Through The Slough. This 75-ton gasoline "splitter" was made by U. S. Steel's Consolidated Western Steel Division in San Francisco. It was so huge that it had to be shipped on a sea-going barge through an old slough (tidal creek) that hadn't been used for 50 years and was specially dredged out for the journey.



Locomotive Wheel Change. You may never think about it, but locomotive wheels wear out, too. For longer life, United States Steel makes USS Multiple-Wear Wrought Steel Wheels. These are actually forged and rolled to shape; and, unlike castings, they resist fractures to a remarkable degree. On a ton-mile basis, they cost less than any other type of wheel. *Another job well done with steel!*

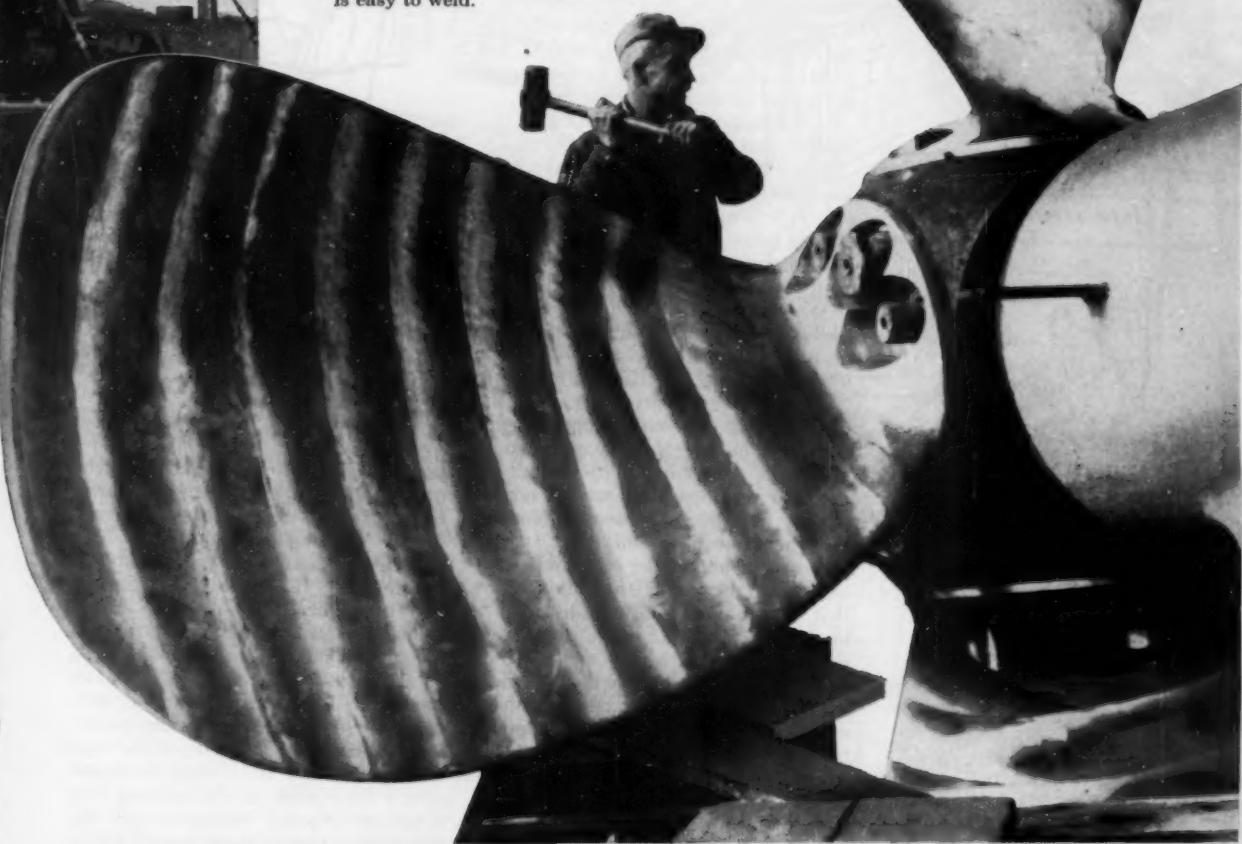


The Mysterious Bends. This "sucker rod" was pulled from an oil well in which the casing had collapsed. This 14-foot sucker rod had been twisted into an 18-inch pretzel, yet it didn't break, or even crack! The rod was made by the Oil Well Supply Division of U. S. Steel.

jobs so well

3-Ton Stainless Steel Propeller.

A typical Great Lakes ore boat will develop about 4,000 horsepower. But newer models turn out 7,000 hp., and need stronger propellers to harness this extra energy. So the blades shown here were made from stainless steel: it casts easily, resists fatigue, and is easy to weld.



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CONSOLIDATED WESTERN STEEL .. GERRARD STEEL STRAPPING .. NATIONAL TUBE .. OIL WELL SUPPLY
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UNITED STATES STEEL HOMES, INC. • UNION SUPPLY COMPANY

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*For further information on any product mentioned in this advertisement,
write United States Steel, 525 William Penn Place, Pittsburgh 30, Pa.*



All get group therapy once a week.



Insulin therapy is also used.



Some patients require electro-shock.

(Story starts on page 98)

attention of health authorities here and abroad. It operates on a basis of night care only.

This leaves hospital beds free for other uses during the day—every hospital has patients who need beds by day only—for X-rays, tests, and special treatment. It also keeps mental patients in closer touch with the everyday world, seems to help their response to psychiatric treatment.

• **Acute Problem**—The interest of medical people in Montreal's approach to care of mental illness is easy to understand. Most authorities are convinced that the prevalence of mental disease is

bound to become more serious before it gets better.

Aside from humanitarian considerations, the price the U.S. pays for mental illness is staggering. Every three minutes, the doors of a U.S. hospital open to admit another patient. Because 97% of these sufferers are in tax-supported hospitals, the American public pays more than \$1-billion a year for their care. The cost in terms of income lost by mental patients is several more billion dollars a year.

• **Progress**—Coordinated research has scored notable victories in mental health in recent years, sometimes by developing new treatment and sometimes by taking advantage of progress in other medical fields. For example:

• Paresis formerly filled thousands of beds in our mental hospitals, but penicillin has successfully attacked much of the disease underlying this mental condition.

• Pellagra psychosis once filled entire wards of Southern hospitals, but it has become a medical rarity, thanks to improved diet and treatment.

• Epilepsy, once regarded as incurable, has yielded to new drugs.

• Tranquillizers often give spectacular results in mental hospitals.

• Schizophrenia, a major cause of mental hospitalization, may be the next field to be won. Research by Tulane University's Robert Heath and others (BW—May 12 '56, p29) points to the possibility that a protein abnormality may be responsible, that schizophrenia may not be strictly a mental condition at all.

These developments, particularly the last two, offer long-range hope of lightening the burden of the nation's mental health problem, but they don't do much to slow down the present rate of mental hospital admissions. Nor do they help much toward what is conceded to be one of the most important aspects of the mental health picture—that of catching emotional disturbance in its initial stages, where therapy is usually most effective.

• **Catching It Early**—That's just where Montreal General Hospital's system of night care comes in. It isn't supposed to be the answer to mental illness as a whole; it's intended as a program of preventive psychiatric care for business and professional people who are suffering from severe anxieties, phobias, or depression. It adapts to overnight use the kind of psychiatric service that most large general hospitals provide on a 24-hour basis.

Results show that the cure works for certain types of mental disorder. In the year ended last September, 119 patients were treated at Montreal General's Psychiatric Night Center, averaging 28 nights of treatment.

Only about 10% of these patients have required readmission to a mental

hospital. A great majority of these who carried on their everyday work during the period of treatment are still employed in the same jobs; few have needed any extensive psychotherapy after discharge from the Night Center.

• **Work Out, Sleep In**—The Night Center has an obvious appeal to sufferers from mental disorders: They can go about their daily chores while under treatment. Men can continue to work by day without loss of earning power; women can care for the house and children by day until their husbands return from work in the evening. If a patient chooses, no one except his immediate family need know he is getting hospital treatment.

The Night Center operates on a five-day week, Monday through Friday. Patients check in after work, usually around 6 p.m.; receive treatment during the evening, spend the night in the hospital, and leave for work after breakfast next morning.

Cost of night psychiatric treatment at Montreal General depends on the financial status of the patient. It ranges from zero to \$10 a night, in-



Social activities such as dinner as a group are part of the treatment that patients get each evening at the hospital.

cluding all standard treatment such as modified insulin and psychotherapy. There's a slight additional charge for electro-convulsive therapy or sub-shock treatments. Full hospitalization and similar care in a private hospital would cost far more than Montreal General's maximum.

Dr. Albert E. Moll, director of the hospital's psychiatric department, says all beds at the Night Center are taken most times, and the hospital no longer has to talk up its new service with business people and the medical profession. Private and industrial doctors know about it by now, and the hospital officials don't want to stir up more demand than they can meet.

• **Simple Routine**—The Night Center's routine for patients is deceptively simple. The patient checks in, goes to bed for an insulin shot that eases his tensions, rests for an hour or two, has dinner with the rest of the group in the dining hall, joins the others in group therapy or receives individual psychotherapy, has an hour or so of socializing or relaxing—cards, reading,



After dinner, patients are encouraged to relax on the sun porch.



Patients are tucked in at 10:30 p.m.

television, radio, or merely conversation—before a 10:30 bedtime.

This uniform treatment has more virtues than its simplicity would suggest:

- Most patients of the Night Center have been struggling with their anxieties long enough to be physically run down. Their day's work tires them, and the idea of lying in bed a couple of hours before dinner is appealing. They also seem to get a lot of good out of the physiological effects, as well as psychological, of insulin treatment.

- The standardizing of the procedure reassures the patient that his condition is not unique, that many other people share his neuroses.

- Uniformity of treatment even fosters a community spirit among patients. Whereas patients admitted to a mental hospital on a full-time basis often get worse soon after admission, becoming more confused or depressed, the Night Center's patients have a "we're all in the same boat" attitude to cheer each other.

- **Special Cases**—Some patients require electro-shock treatment, rather than insulin shock, to release their emotional tensions. As long as these treatments are limited to one or two a week, a patient can go to work as usual; after a third treatment in a week, however, he might have effects, such as memory lapses, that would impair his day's work.

In a few selected depressive cases that needed more than two electro-convulsive treatments a week, hospital psychiatrists have given the extra treatment on Friday evening, so as not to affect the patient's work performance.

However, severe cases of depression that ought to be treated routinely at the rate of three electro-convulsive treatments per week aren't considered suitable for Night Center care. The center won't accept them unless patients are unemployed or are willing to have their employers warned that their work performance may be affected temporarily.

Such conditions as chronic schizophrenia, requiring continuous care and treatment, are also outside the province of the five-night-a-week clinic.

- **Typical**—The kind of patient the Night Center is best equipped to treat

is the average mixed-up person who is in danger of a severe mental crash, according to signs and symptoms that have piled up in a short time. The average patient is between 20 and 40 years old, and the largest percentage comes from the ranks of white-collar people: clerical workers, school teachers, librarians, nurses, businessmen.

- **Proprietor**—One patient who was treated successfully at Montreal was a 45-year-old man who owned and managed a business. He had previously been hospitalized full-time, but he had relapsed under the strain of catching up in his work after his release. He chose the Night Center type of treatment specifically because it didn't interfere with his daily business responsibilities, didn't add to the stress of running his business.

His difficulty was diagnosed, as at the other hospital, as acute anxiety that stemmed from troubles of his early life and that was touched off by the stress of business responsibility. Treatment on the schedule of five nights a week succeeded where full hospitalization had failed, say doctors at the Night Center.

- **Professional Man**—Another man, 30 years old, was in a profession. He was in danger of a serious breakdown; he complained of insomnia, chronic tension, phobias, and work inhibitions.

With psychotherapy, sedatives, and 32 insulin treatments over seven weeks, this man was much improved when he was discharged from the Night Center. His acute symptoms had been quieted without interrupting his career. Most important to his social and professional standing, his treatment had been carried out without anyone's knowing

about it outside his immediate family.

This is a vital consideration for many professional men and others who fear for their careers if their clients or bosses learn they are "psychiatric cases."

- **Office Girl**—Another type of case that's well suited to the Night Center is that of a 35-year-old married woman who is a stenographer. She complained of anxiety, insomnia, indifference toward food, and domestic incompatibility. These symptoms had gradually increased over six months.

At the Night Center, this woman received psychotherapy and modified insulin treatments and, within a few weeks, was discharged as much improved. The fact that she was able to get such treatment without interfering with her weekend family and social life was considered an important factor in speeding her recovery.

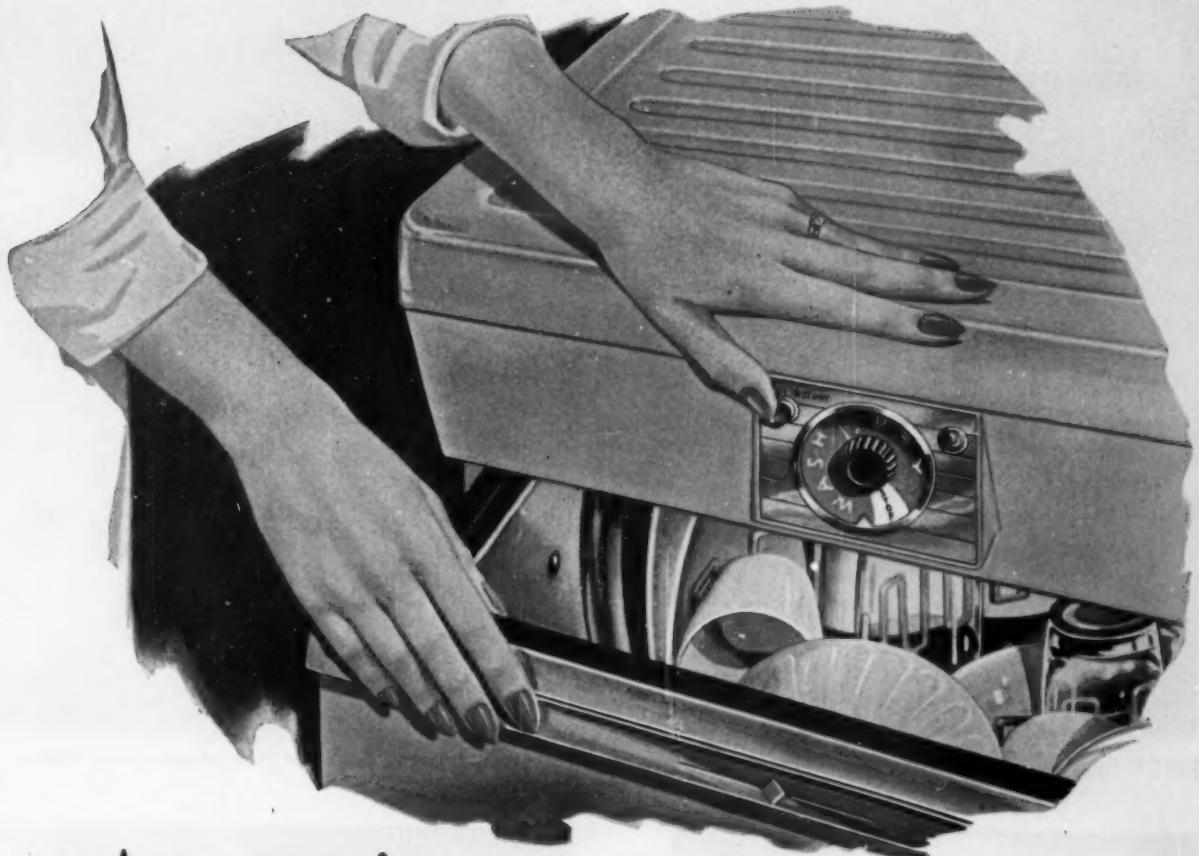
In this case as in others, the Night Center staff found that the Monday through Friday schedule of evening treatments largely eliminates the ill effect that total hospitalization has on a patient's condition soon after admission. In mental cases that are not too severe, minimizing this regression pays off in spectacular recovery times.

- **Emergency Care**—A center like that at Montreal General offers another benefit to the community: overnight treatment of emergency cases that turn up in the hospital's casualty department.

Although they have no figures to prove it, doctors at Montreal General are convinced that immediate psychiatric care in certain types of accident cases can make a world of difference in the individual's subsequent mental stability.



Next day, the patient is back on his job, with no interruption of his routine.



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Dependable, automatic operation of these wife-savers is made possible by a unique timer switch—a rugged, precision device developed by Mallory at a price that cost-conscious appliance manufacturers can afford.

Now this switch also works outside the home. For example, it masterminds the operation of an improved milking machine . . . acts as cook and cashier for new

vending machines that provide varied hot and cold food in factories, schools, public places.

Readily adaptable to almost any series of operations, the Mallory timer switch offers the benefits of low-cost automation to a range of equipment from computers to temperature controls . . . from metalworking machine to plastic molding presses.

The dependable performance of this precision switch is typical of all Mallory products in electronics, electrochemistry and specialized metallurgy—the fields in which Mallory serves the Nation's growth industries.

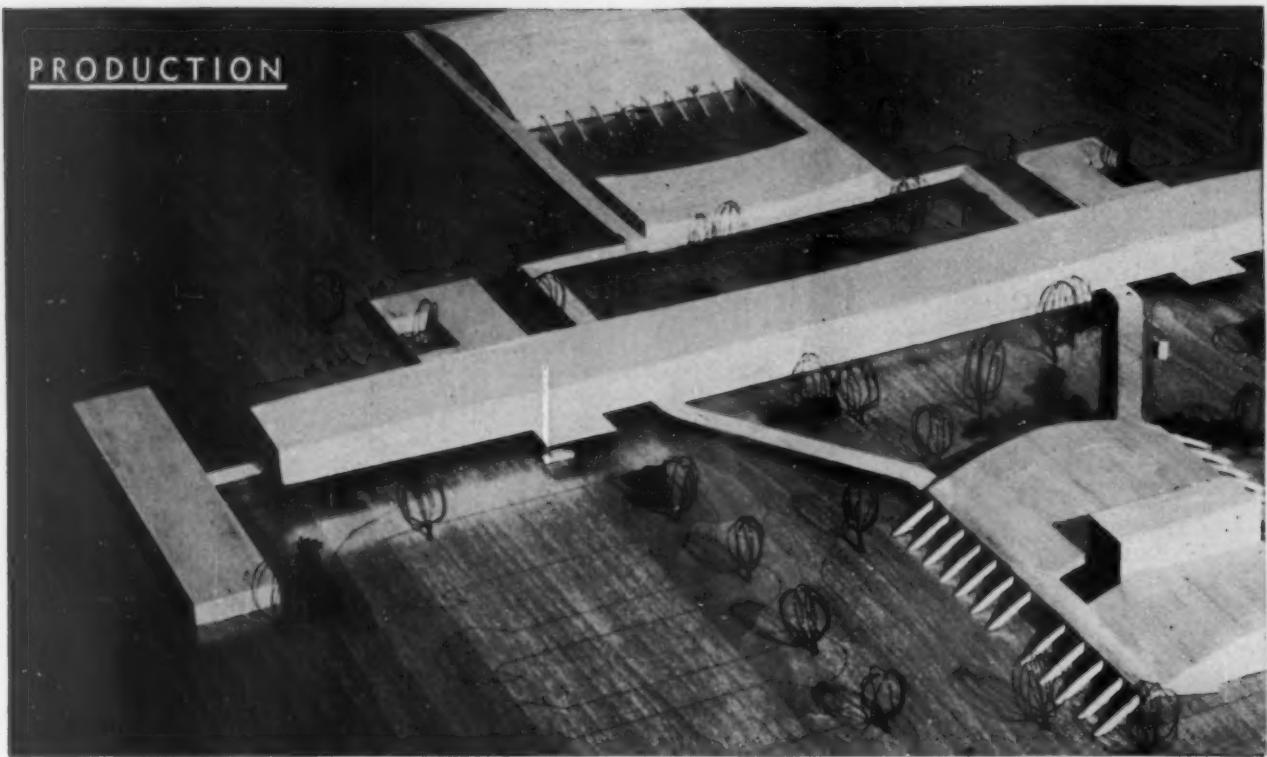
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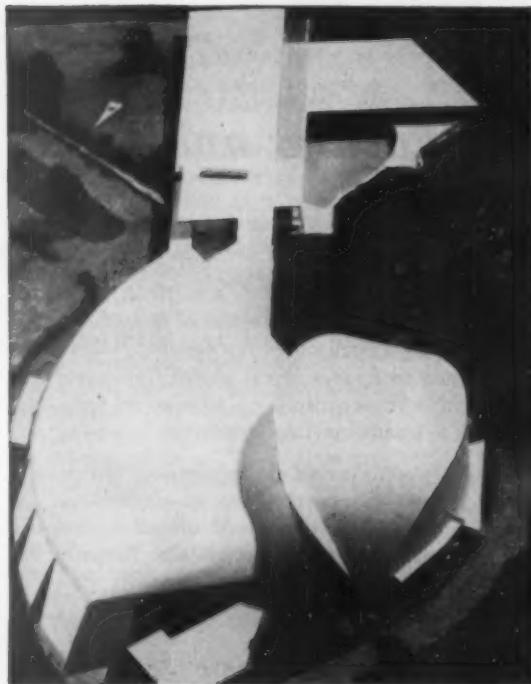
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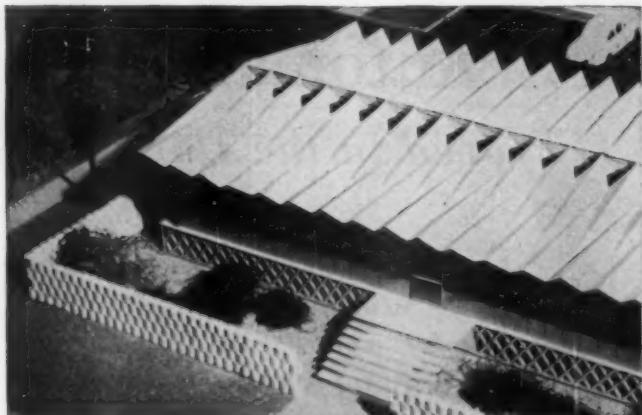


FIRST PRIZE in design competition for "work in progress" went to Curtis & Davis design for New Orleans junior high.

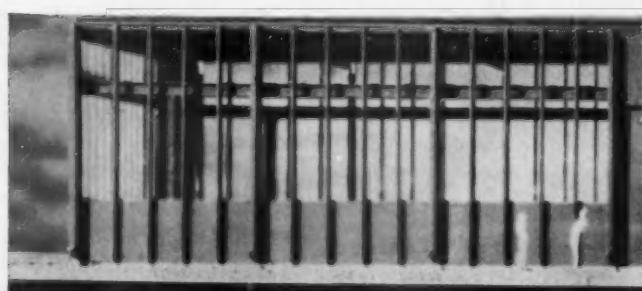


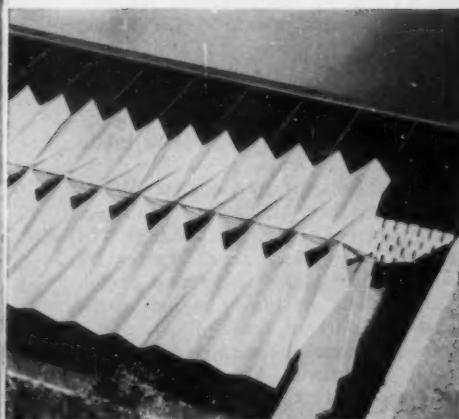
OPERA HOUSE for Colorado Springs molds reinforced concrete into plastic shapes.

FACTORY for handling steel plate gets rigidly geometrical lines, with no crisscross bracing.



OFFICE BUILDING for Detroit has rhythmical pattern in





folded plate concrete roof.



JUDGES who picked these prize-winning models for builders to catch up with included (left to right) architects Hudson Jackson, Marcel Breuer, Harry Weese (standing), and Gordon Bunshaft.

What the Architects Dream for Tomorrow

The lines that architects are inking in on their drafting boards today won't take shape in brick and mortar for months, and in some cases for years to come. So the renderings and models in the pictures on these pages offer a good sneak preview of what you'll see a-building in the future.

They are a few of the winning works selected by the four architects pictured above in a design competition of work in progress. The competition, an annual affair, is sponsored by Progressive Architecture magazine.

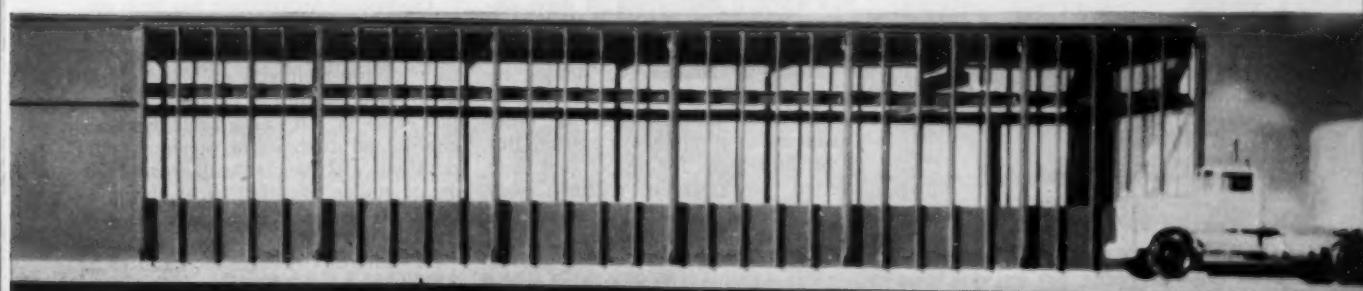
The competition—and the designs it brings out—differ in one major respect from most others in the field. Most architectural awards are presented for completed buildings, and in effect show where architects were several years ago. But these designs, fresh from the studios of many of the top U.S. architects, spot the very latest trends. Architects Marcel Breuer, Gordon Bunshaft, Hudson Jackson, and Harry Weese,

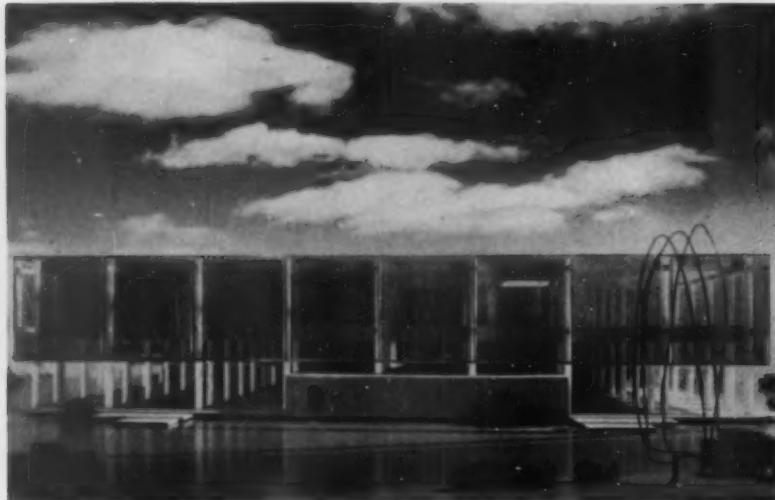
together with consulting engineer Emil H. Praeger—also a member of the jury—examined over 800 entries to pick the winners.

- **Two Styles**—The winning designs, as a group, reveal two distinct and divergent trends in contemporary architecture. One is a refinement of the formalistic geometric designs made up of lines, squares, and rectangles. The other makes use of more plastic forms and sculptured curves to enclose space.

You can see the contrast between the two styles most clearly if you compare the curving shapes of the Colorado Springs Opera House designed by A. G. Jan Ruhtenberg with the rigid geometry of Jacques C. Brownson's steel plate mill (pictures at far left and below).

- **Blue Ribbon for Schools**—First honors in the competition went to the architectural firm of Curtis & Davis of New Orleans for its design of the George Washington Carver school in





LIBRARY for New Orleans won a second top award for Curtis & Davis; glass rectangle, surrounded by aluminum glare screen, has reading rooms on lower floor, stacks on upper.

that city (picture, top left, page 106). The core of the building is the long, narrow classroom section of conventional steel beam construction, tapering in at both ends and in the center. It is flanked by a gymnasium and an auditorium, built of long, low concrete arches that are prestressed and precast.

The two-story classroom section will be faced with a sun and glare screen of lightweight masonry. The school plan calls for covered walkways between building elements—a technique that has been found effective and economical in isolating noisy areas from classrooms and study halls.

Educational buildings grabbed off six of the 21 awards and citations in this year's design competition. The proportion isn't surprising in light of the current emphasis on schools; it's estimated that school projects are on the board of over half the architectural firms in the U.S. A recent survey by Progressive Architecture indicates that schools have the largest dollar volume among eight general classifications of

buildings now in the design stage.

• **Trick Roof**—In the commercial building category, the top award went to a projected office building for the American Concrete Institute in Detroit (picture, page 106). A design of Yamashaki, Leinweber & Associates, the one-story office building features a concrete roof of ingenious folded plate construction. The building does not require pillars to hold up the roof, since the corrugated sections are cantilevered out from bearing walls that flank a central corridor running the length of the building.

You can do stunts like that with a folded plate design, which permits the concrete to span wider areas. It's the same principle that enables a thin sheet of paper to support a load if it is folded in deep corrugations.

Other commercial building awards went to designs for the Minneapolis Airport Terminal, an automobile dealership in Detroit, and a restaurant in Flint, Mich.

• **Geometric Library**—New designs for buildings for various public uses took four awards, the top one again going to Curtis & Davis—this time for a public library for the firm's home city of New Orleans (picture above). It's a rigidly geometric, glass-enclosed structure of two stories, which is softened slightly by a textured glare-screen of deep aluminum louvers that surrounds the top floor.

• **Trends in Houses**—No houses received top design awards this year, although they outnumbered all other classifications in number of entries. But all of the designs for houses that were selected for citations reflected very strongly the geometrical severity associated with the Bauhaus school of architectural design. Flat-roofed and tightly knit, they range far from the estab-



HOUSE of three stories is Michigan architect Tivadar Balogh's idea for own home.

lished taste of the average home buyer.

Two of them, however—one an almost cubical box, and the other an unadorned, glass-enclosed rectangle—have interesting features. Both get maximum interior space from a minimum of building material by taking full advantage of more than one story. In this time of split levels and sprawling, ranch-type, single-story houses, that in itself is notable.

The cubical structure (picture, below) is a three-story house set into a hillside, while the rectangular design is one and a half stories high, with the bottom story sunk into the ground up to window sill level. To improve the view and lighting in the living area, the bedrooms are consigned to the ground floor, with the kitchen and living areas upstairs.

• **Practice and Maturity**—When the awards were presented at a dinner in New Orleans this week, Progressive Architecture publisher Thomas Creighton summed up his evaluation of the winners.

"They show," he said, "a growing maturity in American contemporary design that is quite distinct from the deliberate rebelliousness of the prewar 'moderns.' This is the work of young and middle-aged-men who are still as dedicated as ever to contemporary design. But their hands have been steadied by practice—something that wasn't true of prewar radical thinkers.

"From actual practice in building, a mature style is emerging that is evident in the greater variety of designs, escape from pure imitations, and greater honesty and useful application of many new materials and construction methods."

• **From Concept to Concrete**—While buildings that architects themselves judge best or most "significant" in strictly architectural terms are seldom welcomed with the same fervor by the public, there are plenty of indications that the work of contemporary architects has done an effective selling job on its own merits. More architects are at work today than ever before, and most of them are busy. A survey of firms shows that in December, 1956, work in progress was up about 5% from a year earlier, despite a serious decline in residential construction.

Progressive Architecture has been giving out its awards for only four years, but in that time its judges—a different team of top architects each year—have established a record of choosing designs that catch on. Of 132 projects that won awards and citations in previous competitions, 102 have actually been built or are under construction at this moment. And any architect can tell you that in his business, where there are a lot of hurdles between pen and pick, 77% is a very good batting average. **END**



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Frank E. Dittrich

that is. Very exclusive.)

Naturally, there aren't as many ocelots padding about U.S. homes as there are the more orthodox, and tamer, breeds of tabbies. And cats, by the way, are numerically the most popular of pets in the U.S.

Yet, according to Frank Dittrich, publisher of *All Pets Magazine* and a spokesman for the billion-dollar-plus pet industry, a quick rundown on pets cherished by fond owners reveals some real eyebrow-raisers. Tame alli-

New York,
N. Y.—Want
to join an ocelot
club? It's easy
—just get your-
self an ocelot
and you're in!
(In the Ama-
gansett, L. I.,
Ocelot Club,

gators, for example. Also, bears,
snakes and skunks (at least one pair
of the latter being used by a deter-
mined household as "watchdogs").

48 Million Cats and Dogs

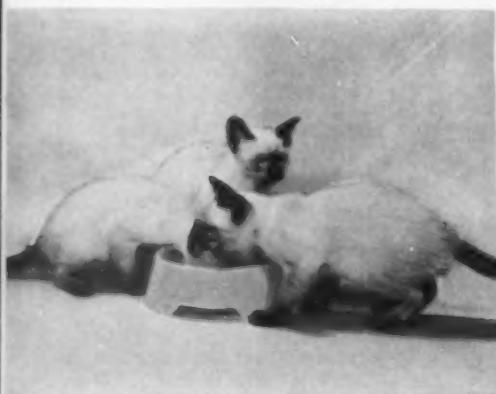
"As huge as the pet industry is
today," says Mr. Dittrich, "it's still
in its infancy. There are about 26
million household or around-the-place
cats in the U.S. alone. There are some
22,500,000 dogs. The population of
nearly all the recognized pets in the
animal, bird and fish families is
growing prodigiously."

Birds now run a close third in
popularity, reports Mr. Dittrich. Pet
birds in the U.S. total close to 20 mil-
lion, with the flamboyant parrakeet
(or budgerigar) numbering some 14
million. American pet fanciers go in
very extensively for tropical fish, too.

Today's pets, especially cats and
dogs, live longer, Mr. Dittrich points
out, and in general enjoy far better
health. The A.S.P.C.A. estimates the
average dog's life span at 12 years
now; it was only seven in 1930. Two
good reasons are (1) continuing ad-
vances in veterinary medicine, and
(2) better, more nutritious diet.

Where Canning Comes In

The canned pet food industry in
particular plays a star role in the
improved care of pets. Since horse
meat was first tinned back in the
1920's by P. M. Chappel for dog
consumption, the industry has grown
to a total of more than 100 canners
of pet food, with a '55 output of well
over 1½ billion cans.



An always dependable source of nutritional diet
for many pets is food prepared under super-
vision in cans, the popularity of which has be-
come phenomenal. Cats—numerically our most
popular pets—go for canned foods especially.



Of course, horse meat today is just
one of the basics. There's beef, in-
cluding heart, liver, kidneys. Tripe
and fish are also some of the sanitarily
canned mainstays. And there is canned
bird seed on the market today,
vacuum-packed for protection against
weevils and mold. Condensed or evapo-
rated milk in cans, too, is a pet favorite.

A notable example of the strides
made in improving pet health is
today's highly successful "prescription
diets." These prescribed combi-
nations of foods are for the correction
of specific ailments that may be
undermining your dog's well-being.
The diets are sold only in cans where,
as is true of all canned products,
their contents are spoilproof, pro-
tected against breakage, and so easy
to handle and to store.

National's Role

The "tin" can is really steel (about
99%), thinly coated with tin as a

PETS



corrosion-resistant. It takes tin plate in extraordinary quantities to make the more than 40 billion cans the canning industry now uses each year to keep food and many other products handy—and *safe*. And our Weirton Steel Company is a major supplier of both electrolytic and hot-dipped tin plate.

Of course, tin plate is just one of the many steels made by National Steel. Our research and production men work closely with customers in many fields to provide steels for the better products of all American industry.

At National Steel, it is our constant goal to produce still better and better steel of the quality and in the quantity wanted, at the lowest possible cost to our customers.



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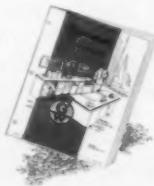
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*Dealers listed in "Yellow Pages" under "Office Furniture."

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PRODUCTION BRIEFS

Plastics production last year topped 4-billion lb., a 10% jump over 1955. Total value, as estimated by the Society of the Plastics Industry, was \$2,056,450,000. Among plastics raw materials, polyethylene and polyesters gained the most, both up 30%. Next year industrywide production should rise another 5%, according to a year-end survey.

Unloading coal from barges for the new municipally owned 812,500-kw. power station in Memphis will be done in high style. Dravo Corp. of Pittsburgh will build the world's largest coal unloading tower to do the job. The unloader will have two separate booms—each with a 13.3-ton bucket. Average unloading speed, for each bucket, will be about 850 tons per hour.

Work on the foundations for Michigan's Enrico Fermi Atomic Power Plant is at the halfway mark, with erection of the gas-tight, steel-domed reactor building scheduled to begin Mar. 1. Steam from the controversial "breeder" reactor—opposed by labor groups as unsafe—will be sold by the 21-company underwriting combine to the Detroit Edison Co. to drive a conventional 100,000 kw. steam-electric generator. Because of the experimental nature of the plant—and the testing involved—full operation is not expected until at least 1961.

Republic Steel Corp. will add two 204,000-ton electric furnaces to its Gadsden (Ala.) plant, upping its capacity 50% and making it the second largest plant in the South. The new furnaces, plus eight existing open hearths, will give the plant an annual capacity of 1,197,000 tons. Planned capacity of a new strip mill, scheduled to go into operation this year at the Gadsden plant, has also been raised—from 22,000 tons to 35,000 tons a month.

Trimethyl aluminum is being produced in pilot plant quantities, according to U. S. Industrial Chemicals Co. This highly flammable liquid ignites spontaneously in air, and is considered to have a future as a fuel and igniter for ram-jet and turbo-jet engines. Pilot plant experience indicates that in commercial lots the trimethyl will cost between \$2 and \$5 per lb.

The keel for the first of two \$23-million passenger ships for the Grace Line was laid this week by the Newport News Shipbuilding & Dry Dock Co. The 20-knot ships, to be completed by 1958, will carry 300 passengers on the South American run.

Tipping the Scales for extra dust recovery efficiency!

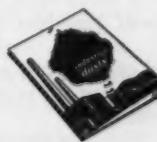


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FINANCE

The Nation's Largest Banks: Now and in 1946

DEPOSITS										RATIO OF DEPOSITS TO CAPITAL FUNDS	
	Amount (Dec. 31, in millions)		Rank		Percent in Loans		Percent in Cash & Govt's				
	1956	1946	'56	'46	'56	'46	'56	'46	'56	'46	
BILLION-DOLLAR BANKS											
Bank of America (S.F.)	\$8,993	\$5,416	1	1	60%	32%	38%	64%	16:1	23:1	
Chase Manhattan (N.Y.)	6,928	4,495	2	3	57	25	45	75	12:1	14:1	
First National City (N.Y.)	6,672	4,664	3	2	56	23	46	75	12:1	18:1	
Manufacturers Trust (N.Y.)	2,845	2,287	4	5	43	21	56	81	14:1	19:1	
Chemical Corn Exch. (N.Y.)	2,760	1,227	5	12	54	23	44	71	12:1	12:1	
First National (Chi.)	2,649	1,962	6	7	57	32	47	68	11:1	16:1	
Guaranty Trust (N.Y.)	2,543	2,475	7	4	62	30	50	82	6:1	8:1	
Continental Illinois (Chi.)	2,497	2,038	8	6	47	20	56	86	11:1	13:1	
Bankers Trust (N.Y.)	2,484	1,391	9	10	59	36	49	71	10:1	9:1	
Security-First Nat. (L.A.)	2,338	1,633	10	8	38	18	65	84	13:1	13:1	
National Bank of Detroit	1,854	1,095	11	13	39	19	60	82	14:1	21:1	
Mellon Nat. (Pitts.)	1,736	918	12	—	54	25	47	85	7:1	6:1	
Hanover Bank (N.Y.)	1,654	1,500	13	9	56	24	50	78	10:1	12:1	
First National (Boston)	1,539	1,325	14	11	61	34	45	73	9:1	14:1	
Irving Trust (N.Y.)	1,539	1,002	15	15	52	30	65	82	12:1	9:1	
American Trust (S.F.)	1,487	934	16	—	56	29	45	70	14:1	30:1	
Cleveland Trust	1,389	988	17	—	53	26	46	78	15:1	22:1	
Crocker-Anglo N.B. (S.F.)	1,369	443	18	—	55	21	46	80	13:1	17:1	
First Penna. B. & T. (Phila.)	1,026	487	19	—	54	26	52	76	12:1	16:1	
SOME RUNNERS-UP											
Philadelphia National	957	642	—	—	48	15	51	86	11:1	11:1	
Detroit Bk. & Trust	951	485	—	—	39	13	56	86	16:1	38:1	
California Bank (L.A.)	867	442	—	—	47	18	52	83	16:1	27:1	
Seattle-First National	841	625	—	—	51	27	47	65	13:1	28:1	
First Western B. & T. (S.F.)	828	277	—	—	57	29	42	71	12:1	16:1	
First National (Dallas)	793	290	—	—	46	45	58	60	15:1	14:1	

N.B. When mergers have occurred in postwar years, 1946 figures are those of surviving bank.

© BUSINESS WEEK

High Earnings—and More to Come

A warm glow of 1956 contentment is suffusing just about every commercial bank in the nation, be it large or small. It was the biggest seller's market in history for the banks' No. 1 commodity: money to lend.

A top Manhattan banker puts it this way: "Last year everybody and his brother wanted money—the federal government, states and municipalities, corporations and partnerships, and individuals generally, both in and out of business. And they all wanted the money right away. I've been a banker close to 40 years, and I never saw this before."

• **Record Volume**—In hard figures, the Federal Reserve's weekly-reporting member banks had a record \$30.8-billion in commercial and industrial loans at the yearend. That's an 18% rise—or \$4.7-billion—above the end of 1955. The spectacular rise took place although the Fed's "active restraint" policy held

the rise in money supply to 1.3%.

Under the twin pressures, bank borrowing rates—and money rates generally—had climbed by the yearend to the highest point since the depressed 1930s. In New York, the banks' prime rate moved up virtually 1% during the year—a tremendous increase when you consider that the prime bank rate was only 4% at the yearend, even after four boosts in three years.

• **Deposit Lag**—Not all the bells rang sweetly for the bankers. Deposits showed only modest and labored gains; losses cropped up in many cases. The main causes:

• Many corporations cut their normally heavy cash accounts to take advantage of increasingly liberal yields on prime short-term investments.

• The persistent decline seen lately in corporate liquidity.

With deposits failing to keep pace with the growth of loan demand, most

banks had to dispose of huge blocks of securities—mainly governments—in a market that inevitably was dropping, since, when money rates go up, bond prices decline. At the same time, of course, the banks' own cash resources were pinched sharply.

• **Transformed**—As the compilation above shows, all these factors wrought considerable changes from the banking trade's fiscal make-up at the end of World War II. Notably, the percentage of deposits accounted for by customer loans was up steeply, and there was a heavy drop in the percentage of deposits covered by cash and governments.

Still, if you put these changes in perspective they seem somewhat less dizzy. Thus in 1946, bank holdings of cash and governments were abnormally high; loans were relatively few, and wartime pressure had stuffed portfolios with governments. It's an exceedingly moot

this . . . needs this



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More and more "biscuits," the blocks from which record blanks are pressed, are being made of Exxon 480.

Its higher bulking density increases mixing capacity as much as 25%. Records acquire truer tonal quality, and greater resistance to breakage.

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COMMISSIONER OF COMMERCE

point whether loans haven't since climbed too high in relation to deposits. Some bankers admit they're worried; the majority seem happy enough. The cheery group points out that the extra weight of loans may be only temporary, that business loans are, after all, the chief function of the banking system.

- **Earnings Are Fine**—Holders of bank stock couldn't ask for a nicer situation for their earnings. The rate of return on business loans is considerably higher than that on the high-grade securities that are the banker's alternative investment. There's no doubt that 1956 earnings were the highest ever. In New York alone, the bank stock house of M. A. Schapiro & Co. estimates that the larger banks had operating income 17% larger than in 1955.

- **Skies Are Clear**—The seller's market for bankers shows few signs of ending. Most bankers think demand for loans will remain strong, or edge even higher, at least during first-half 1957. And they think borrowing rates may move up, too. But there's no unanimity in the trade on either trend.

Everyone admits that much depends on what the Fed does about the discount rate, now at 3%. If it is raised, banks will hoist their loan rates, too. If the Fed does not act, possible changes in the banks' loan-rate structure will be largely the trade's reaction to individual borrowers. And don't forget that the lender holds the whip today, and will keep it as long as demand for loans stays sky-high.

- **Promising Earnings**—Most bank stock experts in Wall Street are very bullish over 1957 prospects for earnings. For one thing, they point out that recent raises in loan rates have yet to be fully felt. The House of Schapiro predicts that this year's earnings will top 1956's by "at least 10%."

Capital funds of the banks are also expected to increase further. Sales of new stock will provide some of the gain, but much should result from the expected higher earnings. Dividends haven't been rising so fast as earnings lately, with a higher share of profits being plowed back into the business. This trend, too, is likely to continue.

- **Deposits Picture**—As for the prospects for deposits in commercial banks, they face admitted problems.

Last month the Fed authorized member banks to raise interest rates on term deposits to 3%, instead of the old 2½% maximum (BW-Dec. 8 '56, p126). This would presumably enable the banks to build up deposits somewhere near as fast as the stepup in loan activity. The increase could help, but many banks are still sticking to the old maximum, or even less. What's more, many economists think even a universal 3% rate would merely redistribute the nation's

cash savings, instead of creating new net savings.

The bankers are gunning for deposits with other weapons, too. They're letting the loan demand itself apply leverage, by insisting—a trend that began in 1955—that borrowers maintain "commensurate" balances. This is especially true in New York, where the requirement is frequently set at 20% of the loan outstanding, or 10% of the original line of credit, whichever is greater.

These demands for maintained balances are a long way from being a nationwide requirement; many bankers are unwilling to antagonize valued clients. Even in Manhattan, one banker admitted that "if a client kicks up a fuss, we'll relax the rule."

- **Who Gets What**—The commercial banks insist that they are taking proper care of all "legitimate" borrowers, despite some mutterings to the contrary. But most bankers admit that they pay greater attention to old customers than to new borrowers who are out "shopping."

They're more selective in taking on marginal risks that might have gotten by when loans were hard to place. And they don't hesitate to tell customers to scale down their requests so that available funds can be spread more widely.

- **A Wide Survey**—Last week, BUSINESS WEEK reporters took samplings of banker thinking in major financial centers in many areas. Here's what they heard:

Atlanta. The bankers here generally expect money to remain tight well into 1957, and they see no fall in costs of borrowing at least for several months. None would say that his loans-to-deposits ratio was too high. One opined that it could go 5% to 7% higher, another said "while our loans now amount to over 50% of deposits, I'm not saying we wouldn't go higher if need be."

None of the leading banks demands that borrowers keep commensurate balances, though they are "encouraging all borrowers to maintain higher balances." A single banker admitted he was becoming more selective on all types of loans. Others merely said, "We've always taken a close look at our loans," or "Historically, we've been selective."

Three leading banks have raised their savings rate to 3%, another sticks to 2½% except on savings certificates, which pay 3%. One bank, now paying 3%, reports that its savings deposits rose 20% from June, when its rate went up to 2½%, to December.

Dallas. This Texas banking center expects borrowing rates to continue strong at least through June—especially at the March and June income tax dates—and maybe throughout the year. One bank reports itself as "loaned up as strong as we want to be," but another



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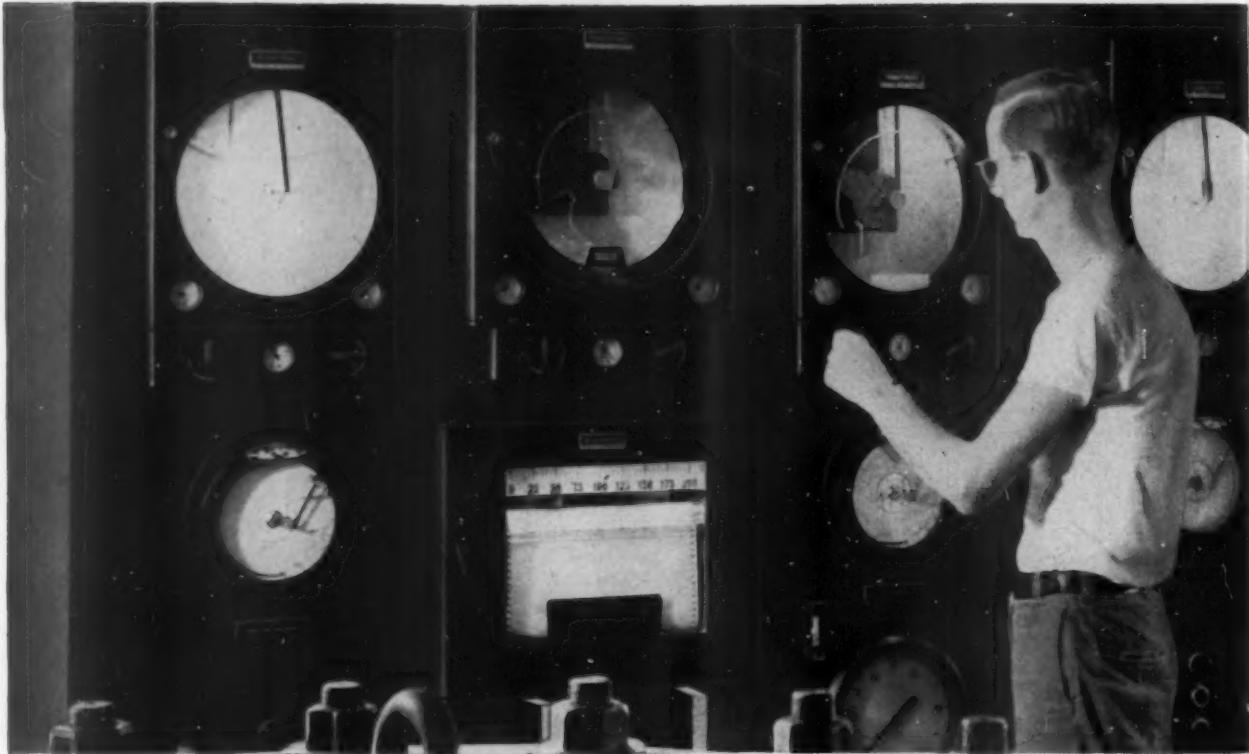
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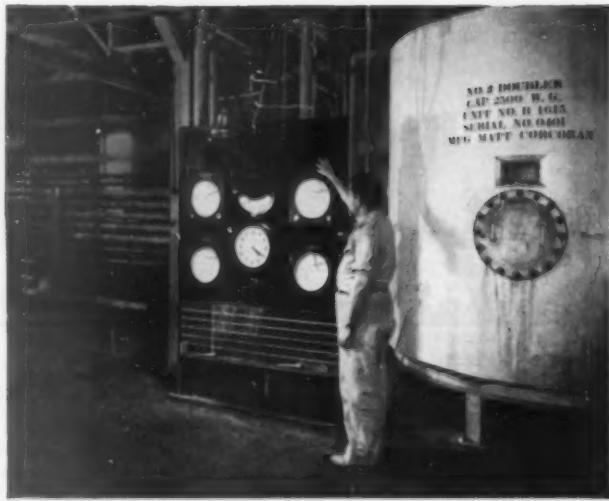
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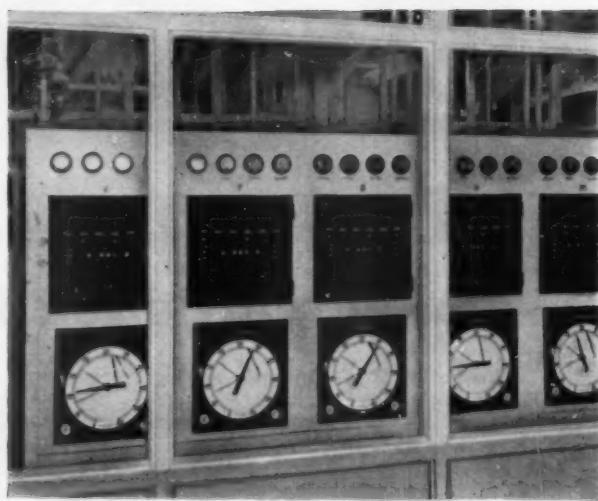


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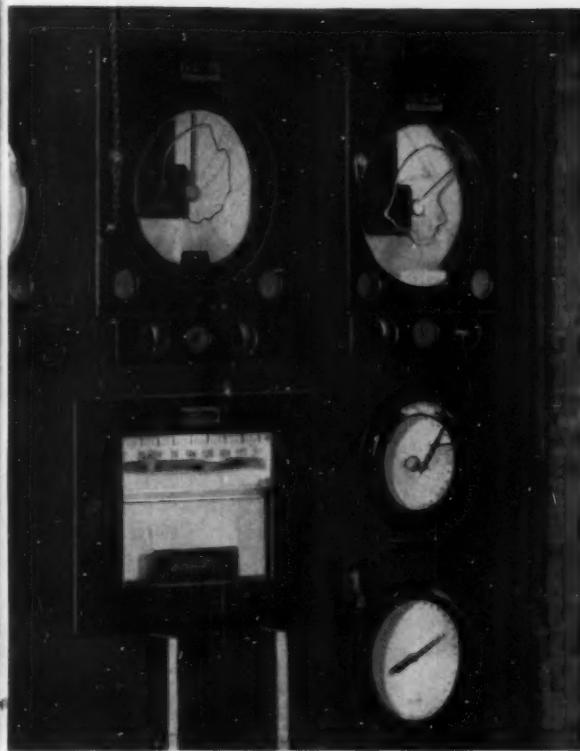
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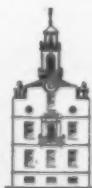
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See Clues on page 186

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WHEN BUSINESS MEN WANT BUSINESS NEWS THEY TURN TO BUSINESS WEEK

boasts of "still considerable lending ability." Opinion differed on whether the Fed would or should raise the discount rate again, but all hands approved the "active restraint" policy.

Leading bankers are demanding commensurate balances, and all claim that they have been selective for some time.

St. Louis. The banking fraternity here agrees that borrowing rates will go higher, if they move at all; avid demands for loans are expected to continue for at least six months, unless there is a definite weakening of the business boom.

Most of the banks are unhappy about the deposit situation; some had deposits fall off as much as 4% last year. Commensurate balances of 15% to 20% of the line of credit are demanded, but the rules are stretched for valuable clients who resist stiffly. "Legitimate" requests of good clients are not turned down, but are often scaled down. Loans to non-customers are frowned on, regardless of the security, unless they are good prospects.

Most banks have good loan volume. Generally, they hope the Fed won't raise the discount rate, though many think it will happen unless the Treasury bill rate climbs down from its around 3 1/4% level. The savings rate in St. Louis ranges between 1 1/2% and 2%, with little inclination to go up further.

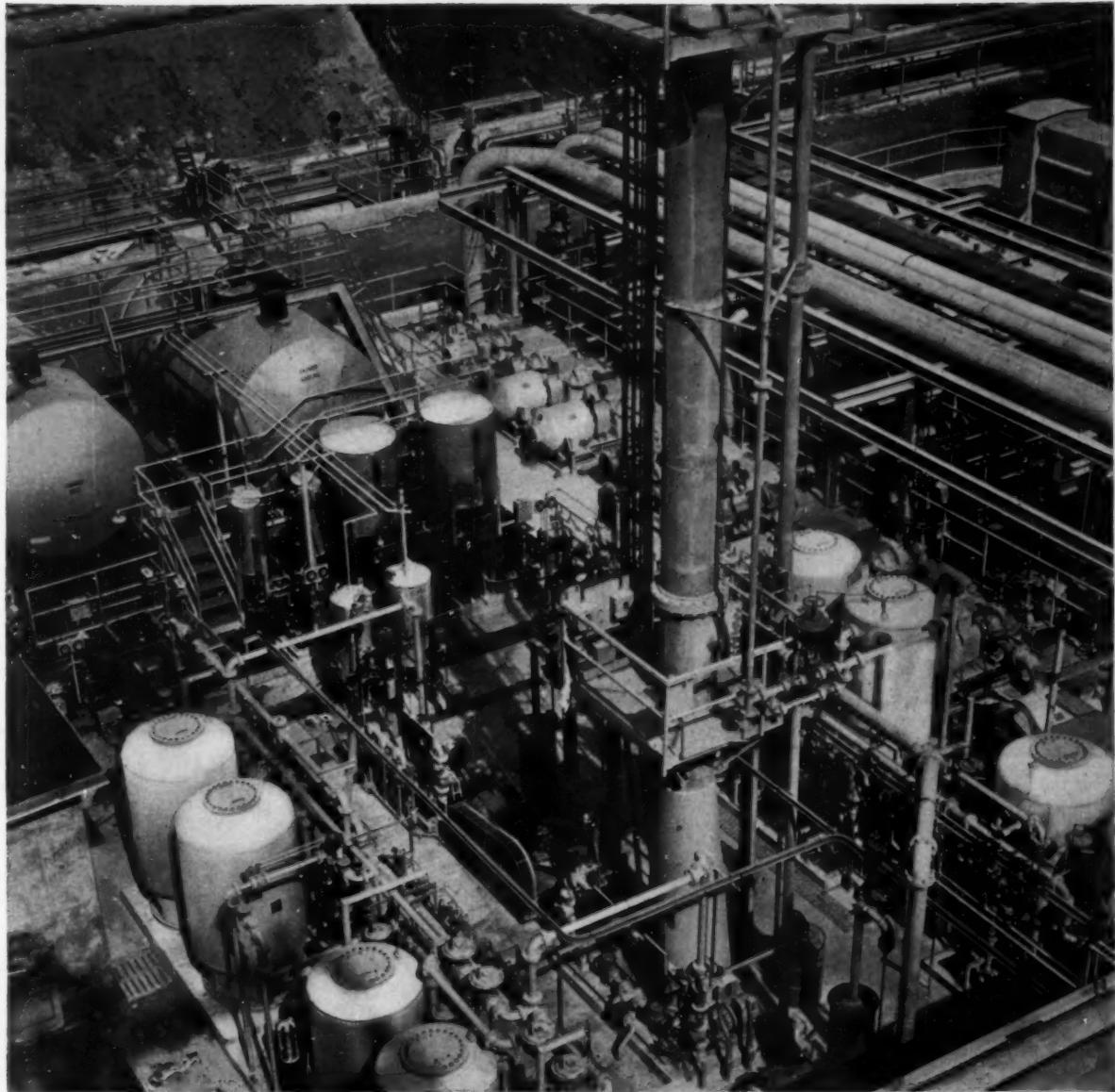
Chicago. No drop in borrowing rates is seen this year, and loan demand is expected to become a bit stronger before it wanes, perhaps later in the year. The savings rate is 2% and expected to stay there at least until July. Loan policies, tightened last year, may become even more selective. No one admits to worries about their loans-to-deposits ratio; some even say it's not high enough.

Commensurate balances are demanded, but not so steep as those in New York. On balance, the Fed's money policy is approved, with some reservations. Few bankers foresee or desire a boost in the discount rate.

Seattle. Demand for loans continues strong, and it's expected that outstanding at the end of 1957 will top those of 1956. Rates are still rising, but as one banker says, "The increase is slower and is a matter of jogging the borrower up an extra quarter percent each time he renews his loan."

Banks are more selective but insist their clients are taken care of. Commensurate balances are sought, but without concrete pattern. It's largely a matter worked out with each borrower, though one banker "shoots for 20%."

The savings rate in Seattle and Tacoma is 2 1/4%, but Spokane banks have jumped to 3% from 2%, which has the other cities worried. No banker criticizes the Fed's money policy; one says, "It may not be popular, but it is



Permutit Water Demineralizer at Valley Steam Plant, Los Angeles, Calif.

144,000 gallons of water a day... and far too good to drink!

Valley Steam Plant's water is clean and clear enough to drink as it comes in . . . but it's not nearly good enough to make steam in their modern high-pressure, high-efficiency boilers! The 132 parts per million of dissolved solids (iron, limestone, salts, silica and just plain dirt) are low for city waters . . . but they would form heat-wasting, dangerous scale in the boilers and turbines.

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This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

1,088,179 Shares

Armco Steel Corporation



Common Stock
(\$10 par value)

Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Corporation to holders of its Common Stock, which Rights expire January 24, 1957, as more fully set forth in the Prospectus.

Subscription Price \$56 per Share

During and after the subscription period the several Underwriters may offer shares of Common Stock, all as more fully set forth in the Prospectus.

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

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January 11, 1957



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reasonable." There's just no guessing, for the record, on what the Fed may do next.

San Francisco. Demand for loans has been as strong here as anywhere. Some conservative bankers think their loan-deposit ratio should go no higher—they'd welcome a slackening of demand. More aggressive institutions agree the ratio is pretty high, but they will stretch as far as they can for "legitimate" credit needs.

Selectivity has been the rule for some months, and commensurate balances are usually demanded. Bankers aren't saying whether another Fed boost in the discount rate is needed. One expects the rate "will rise a quarter before it declines a quarter," along with a competitor it expects a rise but neither knows when.

There is no squawking about 1956 deposits or earnings, but no one is happy about losses on bonds sold to get lendable funds. The savings rate is up to 3%, following a concerted rise to 3 1/4% by savings and loan associations. But the real spur was the jump to 3% in the savings rate by some banks in the Pacific Northwest.

FINANCE BRIEFS

Chesapeake Industries, Inc. denies rumors it is about to sell its subsidiary Pathe Laboratories, Inc. to Technicolor, Inc. According to Pres. W. C. MacMillen, Jr., "We have had no discussions with any official of Technicolor about . . . (its) . . . possible purchase of Pathe. . . ."

American Tel & Tel's net income, on a parent basis, last year shot up to \$617.2-million, up 13%, or \$71.2-million, above 1955. But the sharp increase in the average number of shares outstanding last year—57.4-million compared with 50.7-million—cut per-share earnings to \$10.75 from \$10.77.

1957 housing starts will drop 20% under 1956 levels to 900,000, and if credit gets any tighter they could drop as much as 30%. That was the gloomy prediction last week of a group of leading builders meeting behind closed doors with top government and Congressional housing and monetary experts.

The Borden Co., estimates president Harold W. Comfort, saw sales jump \$65-million to a new all-time high of \$875-million in 1956, and net earnings advance by some \$1.4-million to around a \$23-million level. About ready to get under way, adds Comfort, is a five-year expansion program that will cost around \$150-million to complete.

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Heavy materials move from receiving and through production rapidly via Trambeam. Loads up to 15 tons travel above traffic, save valuable floor space. Track, carriers and motor drives are engineered in

a range of sizes to accommodate present needs — have the desired flexibility to meet future expansion. No jumes, jammed aisles or dangerous floor traffic when Trambeam does the job!

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Trambeam installations are engineered to your specific requirements . . . monorail (as shown above) for point to point transport or crane for complete area coverage. Trambeam is the most efficient method of handling materials and products and the most economical!



Trambeam flexibility is a great advantage in handling materials outside the plant as well as inside. A sign company, for example, moves their products via Trambeam from raw steel through fabrication onto shipping dock as shown above.

in and out of the plant



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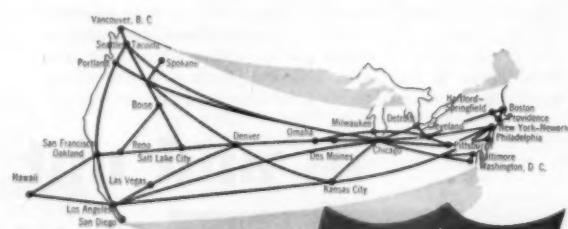
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*These are the rates for many commodities. They are often lower for larger shipments. Rates shown are for information only, are subject to change, and do not include the 3% federal tax on domestic shipments.



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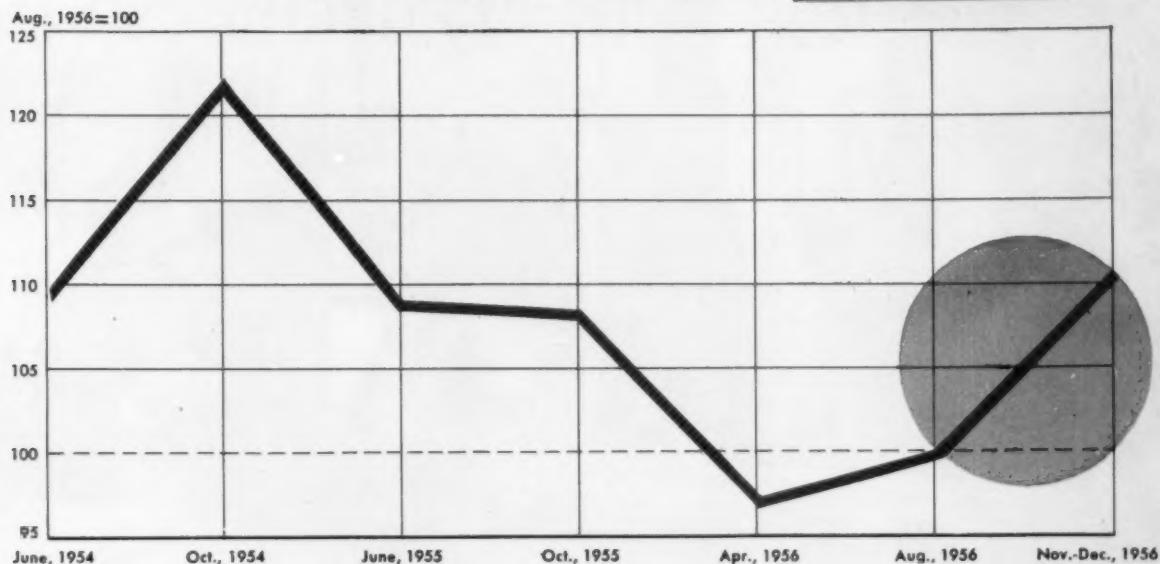


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After Consumers Saw the 1957s

Auto Buying Intentions Stepped Up



Data: Survey Research Center, Michigan.

But Boom Stays in Low Gear

DETROIT CAN TAKE some comfort in the rising line above. It represents the latest findings on consumer intentions to buy new cars, as dug up by University of Michigan's Survey Research Center in November and December, 1956. Clearly, consumers have bigger ideas about buying new cars than they had in August—before they had seen the new models—when the preceding survey was made. The logical explanation: They like the look of the 1957 models.

The gain in car-buying intentions is the one significant upturn the center's researchers uncovered. Intentions to buy homes have increased in frequency in recent months, but the center discounts this statistic, partly because its sample is inadequate for this once-in-a-blue-moon type of purchase. And intentions regarding such items as TV sets, refrigerators, ranges, and washers show just what the August survey showed—neither better nor worse.

I. Cars

The continued upturn of car-buying intentions is heartening to an industry that has been unhappy about the sales

showing of the 1957 models so far (page 31). But even in these figures, there is no indication that the consumer is set for an all-out buying jamboREE.

• **Resistance**—For one thing, the percentage of consumers surveyed who said they expect to buy new cars is by no means at a peak. More important is what seems to be happening in used cars. Here intentions to buy did rise higher than at any other time during the 1954-1956 period. In a big new-model year, this isn't just the news Detroit wants to hear.

The survey's reports jibe with what has happened in the car market. There are signs that the consumer is balking at car prices—which could mean a shift to the used car. The latest Ward's Automotive Report, out this week, indicates that the ratio of used to new cars sold by dealers moved up, from 1.37 in 1955 to 1.52 last year.

Some observers worry that a consumer's equity in the car he now has isn't enough to allow him to use the car in a deal for a new one. The percentage of new cars bought in the first 11 months of 1956 on credit reached a new record (BW-Jan. 17 '57, p174).

This, of course, would work against both new and used cars.

Even with these grains of salt, the survey says this: Whatever the consumer finally decides to do, he has a yen to buy a car, and this yen has grown in recent months.

II. The Flat Look

Over-all, the dominant note that emerges from the latest survey boils down to three words: no major change. More people than ever feel just as well off as they did a year ago—neither better nor worse. The researchers asked them: Do you and your families feel better or worse off than a year ago? Here are their answers:

	Oct. '55	Apr. '56	Aug. '56	Nov.-Dec. '56
Better ..	36%	32%	33%	32%
Same ..	41	44	44	50
Worse ..	22	22	21	17

Here, the most positive change shows up in the bottom line: Fewer people feel worse off than has been the case at any time since 1953.

The "sames" have it, too, when it comes to consumers' ideas on how



YORK "FOOT-HIGH" room units give architects,
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- The new "foot-high" York induction unit typifies York advances in meeting today's requests of architects and consulting engineers for smaller, more compact, more attractive systems.

PRIOR PLANNING SERVICE is the name York gives to its program of working with your architect, consulting engineer, builder, and you — from the very first planning stage until your complete air conditioning system is installed and operating. One of the big reasons that York can offer such a valuable complete service is the variety and ingenuity of York equipment designs. York builds the system to fit the building.

New Unit design gives architects more freedom of room design. The new York "foot-high" air conditioning unit shown at the left is a good example of York's ability to meet difficult specifications. Only twelve inches high, this unique unit is designed to allow architects to specify full length windows. Offices using a YORK system with the new "foot-high" room units will seem — and be — more spacious, lighter,

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York equipment allows for special building designs and room arrangement. Out of sight, other York developments aid the architect and builder. Powerful York Turbomatic compressors, for example, are light enough to be mounted on high floors, without expensive structural changes; and they are smaller, too, leaving more rentable space.

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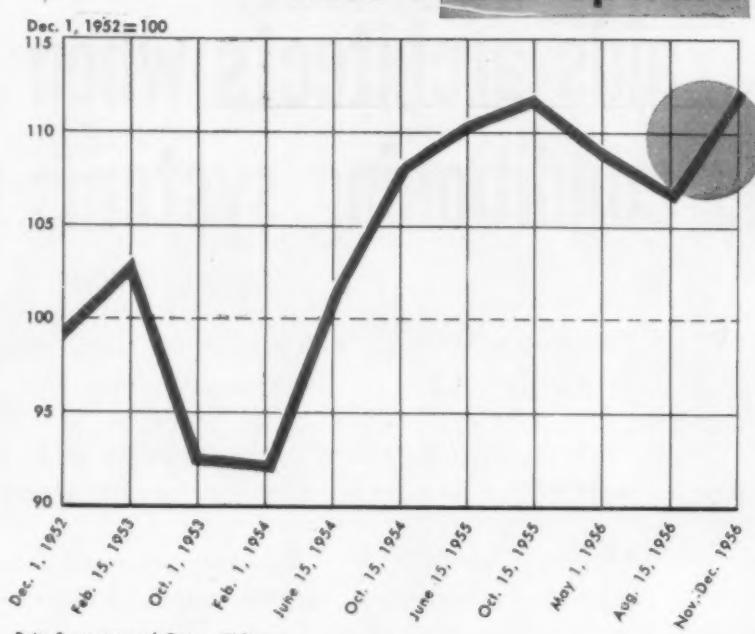
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The Confidence Index

Takes a Turn Upward



Data: Survey Research Center, Michigan.

they will be doing financially a year from now. Here's how they answered this query:

	Oct.	Apr.	Aug.	Nov.-Dec.
	'55	'56	'56	'56
Better ..	36%	36%	35%	32%
Same ..	44	45	45	48
Worse ..	5	6	6	6

Again, on the broad question, do you think we'll have good times or bad throughout the country during the next 12 months? 74% agreed that we'll have good times, which is just the share that has felt this way since mid-1955. This is more remarkable since the survey occurred in the midst of the Suez crisis. The election results probably helped, but most people felt the results of the elections would not greatly change the picture. A slight rise in the "uncertain" answers is all that reflects today's troubled times.

III. Plus or Minus?

The story this current survey tells about the consumer confronts the marketing man with a puzzle. Is the picture good or bad?

On the plus side, the interpreter of the data has this to say: The satisfaction and confidence of the consumer stay at a high level. The number of optimists outweighs the pessimists by far. And a cheerful, confident market is apt to be a buying market.

Furthermore, the Survey Research Center has always put great store by the direction its findings take; it considers this more vital than the level of its findings. For cars, at least, this is a good augury.

Another plus factor—though a slightly negative one—is what looks like a slowdown in the consumer's fear of inflation. How a consumer feels about prices has a bearing on whether he will buy now or wait. The Survey Research Center's experience indicates that the expectation of rising prices makes people put off buying. The last few surveys have shown him to be increasingly apprehensive of higher prices. This apprehension did not grow in the months between August and November; it merely stayed where it was.

• **Sour Notes**—Some economists believe that the consumer will do at least his share this year. The consumer added to his total installment burden in 1956 (the first 11 months) much less than he added in the same 1955 period. Once he gets out from under the large installment debt he piled up in 1955, he'll feel better.

Nevertheless, the survey does not offer up a picture of a man who is going to give the economy a great forward shove this year. He'll do all right, as he has been doing—but he won't carry the economy on his shoulders (BW-Jan. 5'57, p25). What the cen-

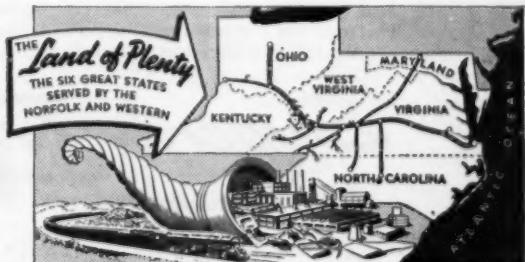


Don't settle for less than you need in your new plant site. If you haven't found exactly what you want — look next to *The Land of Plenty*. If you haven't begun looking, begin now — and look first to *The Land of Plenty*. Norfolk and Western plant location men are specialists who speak manufacturers' language and know their great six-state territory well. Tell them what you need . . . they'll go to work for you promptly, without obligation, in confidence. *Let them prove what they can do*. There's a good chance you can get *all* the requirements and advantages you want in one move — to *The Land of Plenty*!

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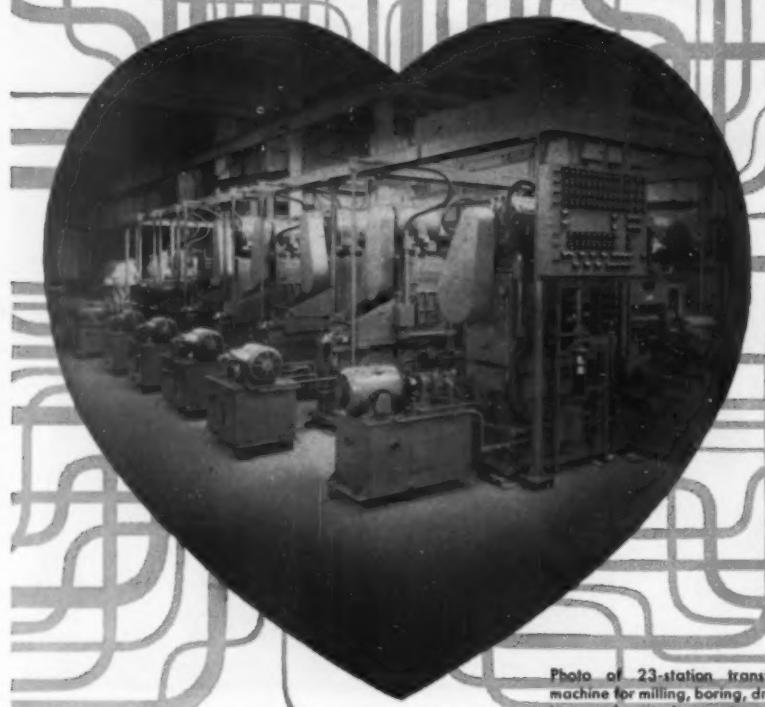


Photo of 23-station transfer machine for milling, boring, drilling and reaming automatic transmission cases. Made by Fitchburg Engineering Corp., Fitchburg, Mass.

This giant machine does several big jobs simultaneously . . . and automatically . . . in the manufacture of transmission cases for new cars. Its "blood vessels" are many sizes of low carbon steel SAE hydraulic tubing by Superior, carrying pressures up to 1000 psi throughout the system. The breakdown of just one "blood vessel" could stop not only the machine but the entire production line—a very costly mischance. Superior tubing was chosen because it provides a dependable, leakproof hydraulic system.

Superior specializes in seamless low carbon steel tubing for all hydraulic purposes. Some sizes can bear working pressures up to 12,000 psi. The steel has a maximum carbon content of only .12%, which results

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ter's researchers call the consumer's earlier buoyancy is still missing.

There's a good chance that the consumer may have overlooked an important point when he speaks more frequently of new housing and new cars. He may have forgot, or not known, what a pinch on his buying a tight money market would have.

Another faintly sour note comes out of the present survey. The people questioned weren't quite so sure it is a good time to buy major household items. A year ago, 55% felt it was a good time to buy. This time, 51% do. That isn't much of a drop, to be sure, and it is partly canceled by a similar small drop in the number of people who feel it's a bad time to buy.

• **Low Man**—One unhappy fellow is the man in the under-\$3,000 income group. It isn't surprising that this group feels considerably grimmer than the upper levels, both about its position as compared with a year ago and its prospects a year from now. Thus, the percent of those in the \$5,000-and-up bracket who feel better off than a year ago is exactly the same—42%—as it was in October, 1955. In the \$3,000-and-under group, 23% felt better off in the fall of 1955; only 15% felt so in the latest survey.

This grim attitude probably matters less than it appears, to the economy as a whole. The lower-income consumer is not the big spender. Besides, the make-up of the groups is constantly shifting. The man who made \$4,000 in 1955, say, may have retired, and found himself suddenly in a lower bracket. Naturally, he's not going to feel cheerful. The man in the upper group may just have arrived there; he is bound to feel better.

IV. Confidence

In the light of the somewhat monotonous story the latest figures tell, it is surprising that the consumer confidence index showed a considerable jump this time (chart, page 128). This index is a sort of composite of consumer attitudes; components include the individual's view of his own status, the country's status, his buying intentions. In the past, the index has had a good record of paralleling his buying performance.

• **Too Rosy?**—The one element that gave it its upward shove this time was the increased plans to buy cars and houses. The center puts little faith in the housing figure, and the car-intentions figure is heavily weighted in favor of the used car. It may well be this time that the index presents an overly rosy picture. But it does underscore this point: The downturn in confidence of recent months has come to a halt. **END**



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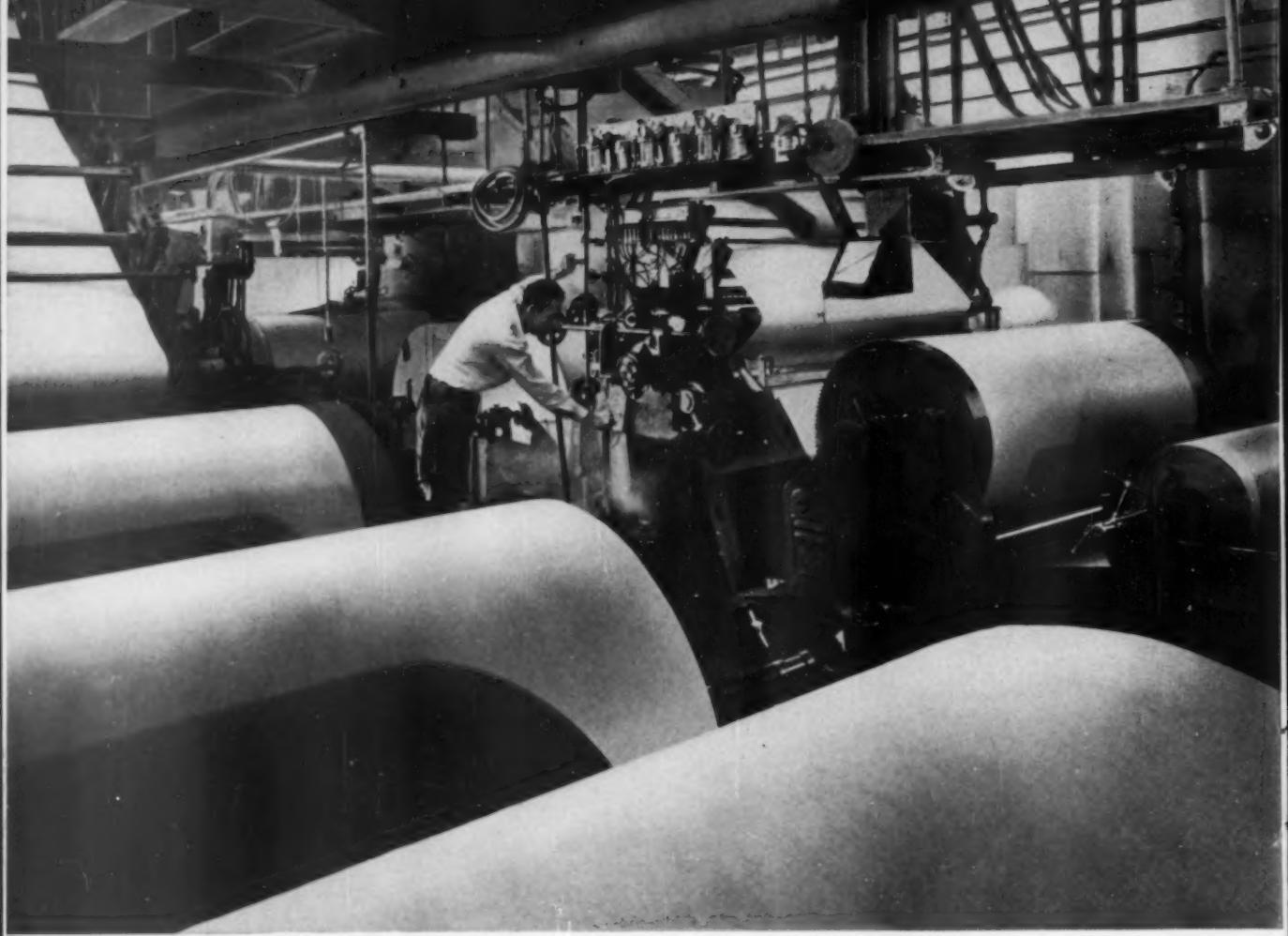
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Christmas 1956 rang out a glad tune for many suburban stores and discount houses, but for most retailers the story was . . .

Sales Edge Up, but Add No Joy

Suburban shopping centers may have saved the day for the nation's retailers this Christmas, by bringing a bright ray of sunshine into what was otherwise a rather murky retail season.

All across the country as merchants totaled up sales figures for the Yule season, suburban stores—and particularly those in the ever-blooming shopping centers—reported gains over 1955, running up in some cases to pretty hefty figures. Almost consistently, the suburban stores took the sales lead away from their lagging downtown brothers.

This was the salient fact of retail life turned up in a survey by **BUSINESS WEEK** reporters who questioned retailers of all types through the U. S. Other high points were these:

- For retailers as a whole, it was a disappointing Christmas; sales just didn't come up to expectations. U. S. department stores in December, according to Federal Reserve Board reports, were a meager 2% above the 1955 month—and a part of this dollar gain is accounted for by higher prices.

- Discount houses made a somewhat better score. Downtown department stores found the discounters cutting into their sales here and there, on top of the suburban slice. But even the discounters aren't shouting for joy over how they did.

- Post-Christmas inventories are somewhat heavy, particularly in such lines as toys, and men's and boys' wear. But stores aren't resorting to "distress" sales to move this merchandise.

- **Sagging Hopes**—It wasn't that Christmas sales were bad; most stores at least equaled or did slightly better than the 1955 season—and 1955 staged a record Christmas buying spree. It was just that things didn't measure up to the high hopes and sagging shelves with which merchants entered the Christmas season (BW—Nov. 17 '56, p34).

The hopes began to sag very early, as consumers displayed a marked apathy toward buying. In the last two weeks before Christmas, things looked up and customers flocked into the stores. Though there was one more December

trading day than in 1955, the modest 2% gain was the best the department stores could work up. If you stretch the Christmas period to take in November as well as December, the gain comes to 4%. But even that falls far short of the 7% jump in December, 1955, sales over the same month in 1954.

The over-all figures for the 1956 season tally pretty closely with the report from one big department store: For the period from Thanksgiving to Dec. 24, 1956, it scored a 3½% gain over its business for the same period the year before.

- **Letdown**—Whatever you can make of the percentages, you can't get much enthusiasm out of the retailers themselves. Their comments range from a Detroit retailer's outright admission that his sales were down 10% to a handful of lackluster statements that sales were "satisfactory." There are few exceptions to this feeling of letdown.

As one merchant put it, referring to the small increase in sales, "we're one

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... it's only among suburban stores and shopping centers that you run into any real enthusiasm . . .

RETAIL SALES starts on p. 133

year older and wiser. We should be doing a better job."

How much is this feeling justified? Elliot V. Walter, president of Macy's New York, admits, "We retailers set our sights too high." But he thinks that as sales began to fall behind, a lot of store officials went too far the other way, and began worrying too much. Macy's, he says, ended the season with "a satisfactory increase."

• **Suburban Joy**—It's only when you get out to the suburban stores and shopping centers that you run into any real enthusiasm. Stores in most centers report active buying, with noticeable increases over the year before. The contrast comes out most clearly in the case of stores with both a downtown location and a shopping center branch: In city after city, the shopping center outpaced the downtown store.

Take Portland (Ore.) as a good example. Shopping center merchants there were even caught with short stocks in some lines. E. A. Attenbury, manager of Olds & King, biggest store in the Gateway center opened last year, says sales were "much stronger than we had anticipated, especially in softgoods," and the center store was "stronger in every line" than Olds & King's big downtown store. A. M. Howell, partner in Howells & Walp, reports its men's and ladies' clothing store at Gateway was "up 60% at least, though we had looked for a peak increase of maybe 50%." Two of his other stores in the area, he says, "just couldn't hold their customers in the face of the shopping center attraction."

You can find such cases almost everywhere. One San Francisco merchant, for example, replaced a downtown store last year with a shopping center branch—and "the new store far surpassed what the old one did."

Of course, not all shopping centers pulled customers equally well. Here and there, centers in the same area displayed considerable differences in consumer appeal, and this year will find retailers looking hard for the answers to these differences.

• **Whose Gain and Loss?**—Looking at the contrast between booming shopping center sales and the downtown lethargy, some retailers are sure that the branches actually pulled business away from downtown. One downtown store official in Cincinnati figures that of every 10 dresses sold in a shopping center, two

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SNAP THE LATCH AND LIFT OFF THE COVERS—YOU DON'T EVEN TAKE THE MOTOR OUT TO GET AT THE BRUSHES, AND THE DISK BRAKE HAS A SIMPLE SCREW ADJUSTMENT

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OF GO-GETTER ELECTRIC AND RED GIANT HAND LIFT TRUCKS

REVOLATOR CO.
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were sales taken away from his downtown store.

Other retailers take the view that downtown holds its own customers, and the shopping centers draw from surrounding business areas. At Northland center, just outside Detroit, retailers—after three years—no longer think they are pulling customers from downtown.

At any rate, the Christmas sales demonstrated one thing: For many sections, the shopping centers clearly made the difference between a gain or decline for the area. Sales for New York City, for example, consistently tag along behind the metropolitan area during the Christmas period. In Boston, too, downtown showed no change in 1956 from 1955, while Boston suburbs rang up a 6% gain.

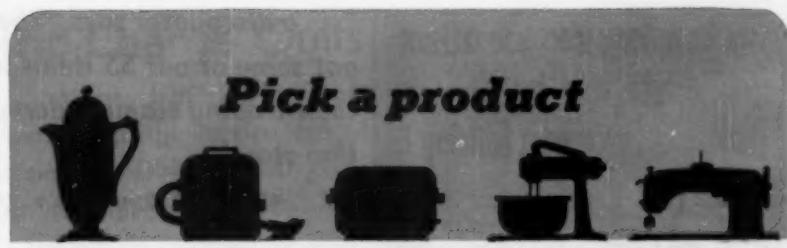
• **Discounts and Suburbs**—Those other bogeymen of the department stores—the discount house retailers—came out of the Christmas season a bit happier than the stores. At least, they were more vocal about it. The discounters racked up sales increases up to 45% in such cities as Chicago, Boston, Baltimore, and Atlanta. In New York, George Farkas, president of Alexander's Department Stores, Inc. apparel stores, reports 21% more business than the previous year.

Even for discounters, the suburban enthusiasm is contagious. A San Francisco discount house located near a large shopping center claims a 40% sales jump. In Cincinnati, Wilbur Swallens, owner of the oldest and largest discount operation, feels his suburban location is almost as important a factor as prices in his sales increase.

• **How Big a Slice?**—Just how much the discounters cut into regular department store Christmas sales is a much-argued question. Discounters in a number of cities—Philadelphia, Boston, and Seattle among them—think they made a heavy dent. But a Los Angeles department store manager says, "I don't think we were hurt more or less than usual." Farkas of Alexander's contends that population and purchasing power have grown faster than both department store and discount house business, and "We haven't kept department stores from growing."

Around the country, discount houses did best in items they have traditionally emphasized—small appliances such as electric skillets and shavers, cameras, radios, TV sets. Many report heavy sales of housewares, hosiery, toys. Big appliances were off.

• **Fighting Back?**—Discount competition is nothing new to department stores, and whatever the specific effects on Christmas sales, the stores are ready to fight back. At the annual meeting of the National Retail Dry Goods Assn. in New York last week, Harold H.



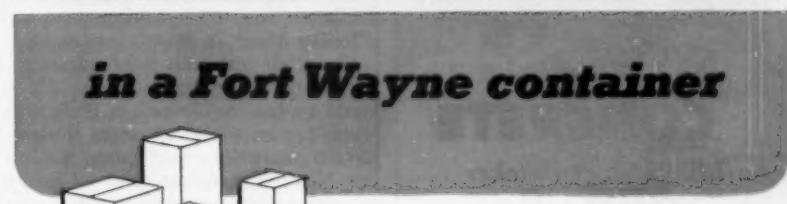
Pick a product



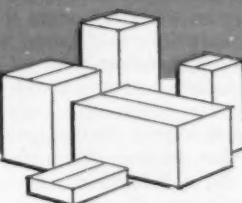
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how long can you afford
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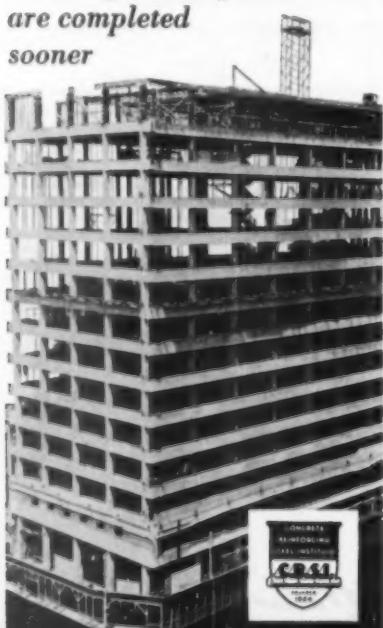


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"... a discounter says, 'They got some of our \$5 items at their trading stamp redemption store' . . ."

RETAIL SALES starts on p. 133

Bennett, executive vice-president of Zion's Co-Operative Mercantile Institution, Salt Lake City, laid down a line of action. He advised association members not to yield such lines as appliances to the discounters, despite the headway they have made, and to compete by meeting prices, if necessary.

"If we give up appliances," Bennett warned, "the discount house may attack men's wear, then other fields."

Macy's Elliot Walter believes that "where department stores have recognized the discount situation, they have done well." Macy's follows a policy of meeting the lower prices on heavily discounted items.

A lot of department stores took the price approach this Christmas; but others adopted stronger measures. Jordan Marsh in Boston ran newspaper ads to tell customers it would meet discount prices on such items as TV sets and appliances. Gimbel's in Philadelphia also ran an ad listing prices it claimed were competitive to discount houses.

• **New Contestant**—This Christmas both department stores and discount houses ran into other competition. Walter of Macy's, for one, points to reports that trading stamp redemption stores did a thriving business in toys. And a Detroit discounter says, "Time and again, people in my store told salesmen that they had got some of our \$5 items at their trading stamp redemption store."

• **Hangover**—What happened to the merchandise stores began the season with? Indications are that a lot of it is still on the shelves. Merchants over the country talk about being "slightly overstocked," having "a little more inventory than usual" or "perhaps a shade more than last year." A few stores admit to having heavy stocks in such lines as toys, furnishings, and apparel.

A New York marketing man puts the situation more flatly. "There's a lot of inventory," he says, "and privately the stores all admit it." In Minneapolis, no store would say it was overstocked—but each was sure his competitors were.

Yet the stores don't seem to be worried, and January sales are following the usual pattern, with no greater price slashes than usual for the season. One reason is that with the coming of cold weather merchants think they can now move the heavy winter clothing that stayed on the shelves in the warm weather before Christmas. **END**



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Keep inactive records safe, clean and neat with Liberty Storage Boxes. You'll find them sturdily built... and so economical. The cost of a Liberty Box over a ten-year period figures out at just pennies a year! Write today for free catalog—find out how Liberty Boxes can help you lower record storage costs. Sold by stationers and office equipment dealers from coast to coast.

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Trip-Charge Quits

Money troubles force all-purpose credit service out of business. Diners' Club picks up its cardholders.

Take a good workable idea, put it into operation in an infant field, with imaginative management nursing it—in many ways pioneering it—and you could expect a flourishing business.

Trip-Charge, Inc., international charge service organization headquartered in Pittsburgh, had the makings for a successful venture of this kind. In four years, it signed up some 8,000 accounts and 38,000 cardholders, established offices throughout the U.S. and much of Europe, created a comprehensive all-purpose credit service, and had plans for spreading through a market still about 90% untapped.

• **Financial Troubles**—But things didn't pan out for Trip-Charge, so the company is calling it a day. And it's pulling out for one reason only, says the firm's 44-year-old president, Sidney J. Rudolph—lack of money.

A few weeks ago, Trip-Charge's life-line—a continuous bank loan in excess of \$500,000—was withdrawn. Peoples First National Bank & Trust Co. of Pittsburgh, which extended the credit, asked for liquidation of the loan. A search for some other bank or backers to help carry the charge outfit proved unsuccessful. Two weeks ago, Trip-Charge filed a "petition of arrangement" under the Bankruptcy Act in Pittsburgh Federal Court.

By doing so, it becomes a "debtor in possession"—continues to operate in a limited fashion with federal protection so it can settle its accounts. To do so, it must collect the accounts receivable due it, amounting to about \$1-million. It must pay its outstanding loan to the bank and then its other debts.

• **Transfer**—Diners' Club, Trip-Charge's big competitor during its 4½-year existence, is taking over the Trip-Charge cardholders. Issuance of \$5 annual credit cards good for purchases and services in over 3,000 restaurants, hotels, clothing shops, car rentals agencies, and liquor stores in this country and abroad was the basic phase of Trip-Charge's business. The card also was good for charging gasoline and theater tickets, two attractions pioneered by Trip-Charge. At the end of each month, cardholders received one consolidated bill that could be paid with one check.

Trip-Charge will retain its name and, in part, operation of its cross-country service station operation. It has some 5,000 stations under contract in the U.S. that will accept Diners' Club

"IT'S JUST LIKE ADDING

\$250,000

IN SALES!"



Money saved in production shows up on the same side of the ledger as profits on sales. Dustube® Collectors, by salvaging valuable material, have saved some plants up to \$100,000 and more a year. Even where dust and fume have no salvage value, a dust-free plant pays handsome returns in increased employee efficiency and reduced machine wear and maintenance. Investigate Dustube's record for high efficiency, simplicity and low cost of operation and maintenance.

Write for Catalog 72-B

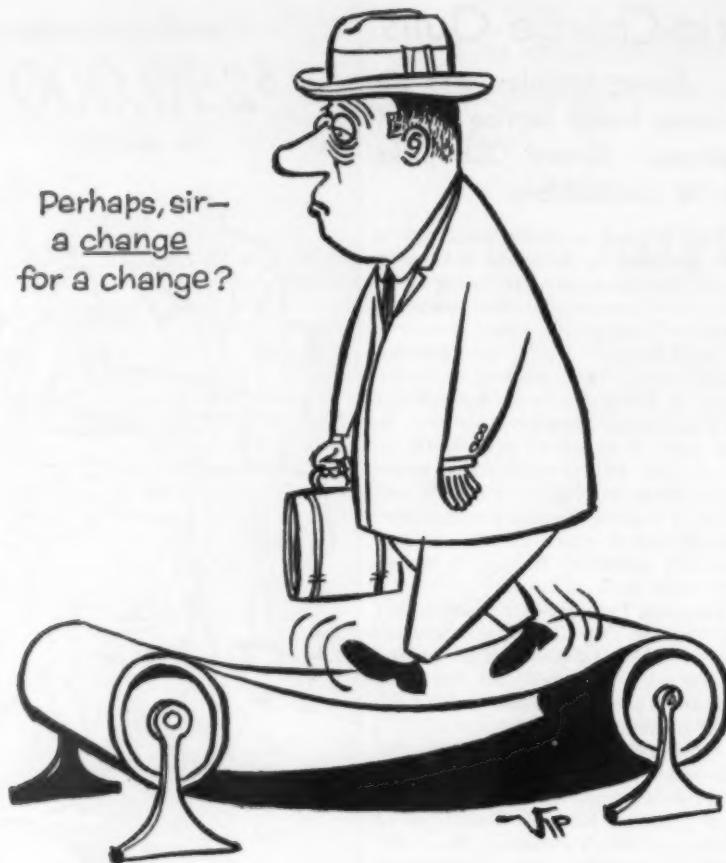
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Perhaps, sir—
a change
for a change?



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And surely your doctor would approve *this* business trip! With today's relentless pressures, this escape from tension, this release from winter, could do you a world of good.

Think what Southern California's mellow sunshine, her balmy deserts, bright flowers, Pacific beaches and Hollywood attractions could mean to you right now!



Then mail the coupon and start planning your Southern California business trip. There could be no better investment in your company *and* yourself.

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Please send free Color Sightseeing Map.

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Street _____

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PLEASE PRINT NAME AND ADDRESS

cards now instead of Trip-Charge cards for gas charges. Trip-Charge will process the charges and pay the stations for Diners'. Diners' will bill cardholders, do the collecting, and pay Trip-Charge. The two outfits will share the 8% commission.

• **Service Dropped**—A second gasoline charge service originated by Trip-Charge has been dropped. This permitted holders of any one of some 58 oil company cards to buy gas on the cuff at any Trip-Charge station coast-to-coast regardless of the brand of gasoline sold. This service operated apart from the gas charges allowed on Trip-Charge's own card. It was a costly, complicated operation that required a specially devised IBM system for separate processing and billing of just these charges. Rudolph still thinks the idea is a good one and potentially the most profitable of all charge card business. But Diners' Club won't accept oil company cards as Trip-Charge did.

• **Expensive Proposition**—Trip-Charge has suffered from a lack of capital ever since its inception. Rudolph, with his brother Leonard and Arnold I. Levine, the firm's CPA, sank all their available capital of \$100,000 into the venture right at the start in October, 1952. It was used up before the firm even got its feet off the ground. Though the company grew to the point where its monthly billings exceeded \$500,000—considered the break-even point—on which it received an average commission of 8% or 9%, Rudolph says it didn't have capital enough to do the vital promoting necessary to grow and to meet its debts. Big volume is a must for such a business to survive. Two public stock issues were floated over a four-year period, raising \$300,000, but this wasn't enough. Finally, the bank couldn't carry the company any longer.

"You should have \$1-million at the start," Rudolph says, "to sink into this business and spend mainly on promotion. And then you need a bank line for capital equal to at least two months' volume as well. This is a tremendously costly business."

• **Room for Competition**—When Trip-Charge entered the credit card field, Diners' Club already had been operating for about three years. Competition was tough, says Rudolph, but didn't deliver the knockout blow. He believes that the volume potential of the industry is virtually unlimited and that there's room for a couple of good broad charge-service companies.

Diners' Club, with some 400,000 cardholders, itself has been highly successful. Latest figures show billings running at the rate of almost \$100-million a year on which Diners' Club reserves 7% commission. Net profit for the year ended Mar. 31, 1956, was \$684,359. **END**



"There stood our Founder - up to his knees in peas"

"If I'd laughed, I'd of been fired on the spot.

"But it was about the funniest thing I'll ever hope to see. There stood our usually dignified Founder, just about smothered in fresh green peas. And more coming.

"I knew in a flash what had happened. The power supply cable for the whole production line had conked out. The hullers are on a separate circuit, and they were still working like mad.

"I guess I did have a sort of I-told-you-so look, but I couldn't help it. Y'see, our Founder really knows the quick-freeze business, and coined that phrase 'cuddled from bloom to shipping room' that sells millions of boxes of frozen peas every year. One thing he doesn't

know beans about (excuse me, I mean peas) is power cables, and the last time I requisitioned Okonite cables, which I've been buyin' for twenty years, he wrote, 'Disapproved. Buy Zilch cable.' I found out later that this guy Zilch makes cable of a sort, and he and our Founder were frat brothers at State back in '09.

"Anyway, to make a long story short, when I got our Founder out of those peas he sputtered, 'Take those Zilch cables out! Every inch—and get that Okonite stuff you always bought!'

"Well, I don't guess we'll have any more excitement like that for a long time, cause you can really count on those Okonite cables. But it was fun while it lasted."



where there's electrical power

...there's **OKONITE CABLE**

Canada Hints at Control of U. S.



WALTER GORDON headed the royal commission that peered 25 years into Canada's future and found prosperity.

A 25-year look ahead by a royal commission sees continued prosperity. But it also warns of the need to keep foreign—meaning American—investment from dominating the boom.

WITH "LEADERSHIP, flexible policies, a willingness to change policies as occasion demands, and a bit of luck," Canada can expect its present surge of prosperity to go on for another 25 years. So says the Royal Commission on Canada's Economic Prospects in a preliminary report just published.

The commission, headed by Walter L. Gordon (left), a Toronto management consultant, was appointed by the Privy Council on June 17, 1955, to look ahead to 1980. It was assigned five areas to explore: raw materials and energy sources, trend and distribution of population, markets for Canadian goods, trends in productivity and standards of living, and needs for "industrial and social" capital.

• **Optimistic**—Generally, the Gordon report confirms the optimistic predictions that industrialists and government officials have already made. Barring a nuclear war or a major depression, Canada can look forward to these gains by 1980:

- Population up from 15,575,000 in 1955 to 26,650,000 (chart, right). This counts on net immigration gain of 75,000 a year.

- Gross national product up from \$27-billion to \$76-billion (chart).

- Productivity and standard of living sharply up, with the average work week in business dropping from the present 41.3 hours to 34.3 hours and per capita income rising 67% or so, in terms of real purchasing power.

- An increasing urbanization of the country—62% of Canadians now live in cities or towns of more than 1,000 population; in 1980, it will be 80%.

- A position where Canada can be a net exporter of capital in 1980.

- **Nationalistic**—At the same time, the royal commission makes recommendations that contain strong tones of economic nationalism. The report argues that, by 1980, Canada will need tougher laws to control operations of foreign companies, firmer regulations over direct foreign investment, and a federal authority to manage the country's energy sources.

The preliminary draft also says that the final report, due "sometime in 1957," will have "something to say" about the role of government policies in maintaining full employment.

The report reflects Canadians' uneasiness about U.S. penetration into key industries, notably oil and gas. This uneasiness was probably more marked when the 25-year study was originally suggested, late in 1954 when Canada was in a slight recession, than now when things are booming again.

Announcement that the study would be made was included in the Minister of Finance budget statement to the House of Commons at the end of 1954, and the report was received by Parliament last week.

I. Taming Foreign Capital

Canada's royal commissions—their name is a reminder that the Queen of England is also Queen of Canada—are renowned for their objective analysis. They have no power to legislate, but their recommendations carry a great deal of weight with Parliament. Thus, the overtones of nationalism in the Gordon report will get major attention from U.S. companies that have been sharing the ride in Canada.

The Gordon commission makes it clear that it isn't unfriendly to foreign capital. "What Canada has required, especially in the course of her recent economic development," says the report, "is a 'package' of substantial capital, technology, skills, and markets. It is this kind of capital package which non-residents have helped to provide, thereby performing vital tasks which Canadians alone could do either less efficiently or not at all."

The "current discussion of the subject," the report adds, was precipitated by "the form which foreign investment has taken . . . and the way it has tended to be concentrated in certain industries."

• **Not Timid**—"Some people think that Canadians are timid investors," the report notes. It defends their readiness to buy "the relatively few well-established equity stocks available to them" and to risk their money "with comparative abandon" in speculative mining stocks. But Canada simply has not had the large pools of capital that were needed for long-range projects.

That's why, the commission suggests, foreign capital has entrenched itself so deeply in important Canadian indus-

Investment

tries. As examples of industries dominated by a relatively few foreign-controlled companies, the report cites oil and gas, some sections of the mining industry, some sections of the chemical industry, automobiles, electrical apparatus, and rubber goods. Many of these companies are wholly owned by foreign parents, and no stock is available to Canadians.

- **Recommendations**—Among the highlights of the commission's recommendations regarding foreign capital:

- Foreign-controlled companies in Canada should be obliged to sell 20% or 25% of their equity stock to Canadians, to publish annual financial reports on their Canadian operations, to appoint "independent Canadians" to their boards of directors, and to bring still more Canadians into senior executive and professional posts.

- More foreign capital should be channeled into bonds and mortgages—commitments that can be retired by Canadians in due time, much as the U.S. in the 19th Century paid off the bonds held by British investors.

- Provincial governments, which control sale or use of mineral and timber rights, "might well consider requiring foreign applicants for such rights to incorporate under Canadian laws and to take in Canadian partners."

- Incentives in the tax laws for foreign companies to spread ownership of their Canadian subsidiaries among Canadian investors—perhaps by a higher withholding tax on dividends paid to non-resident shareholders of companies that lack "an appreciable percentage" of Canadian holders.

- Safeguards against foreign encroachments on control of Canadian banks and insurance companies—perhaps by canceling the voting rights of shares bought by non-residents in the future. Foreign investors now own less than 20% of the capital invested in Canadian-chartered banks; their stake in insurance and finance companies is described as "considerable but not dominant."

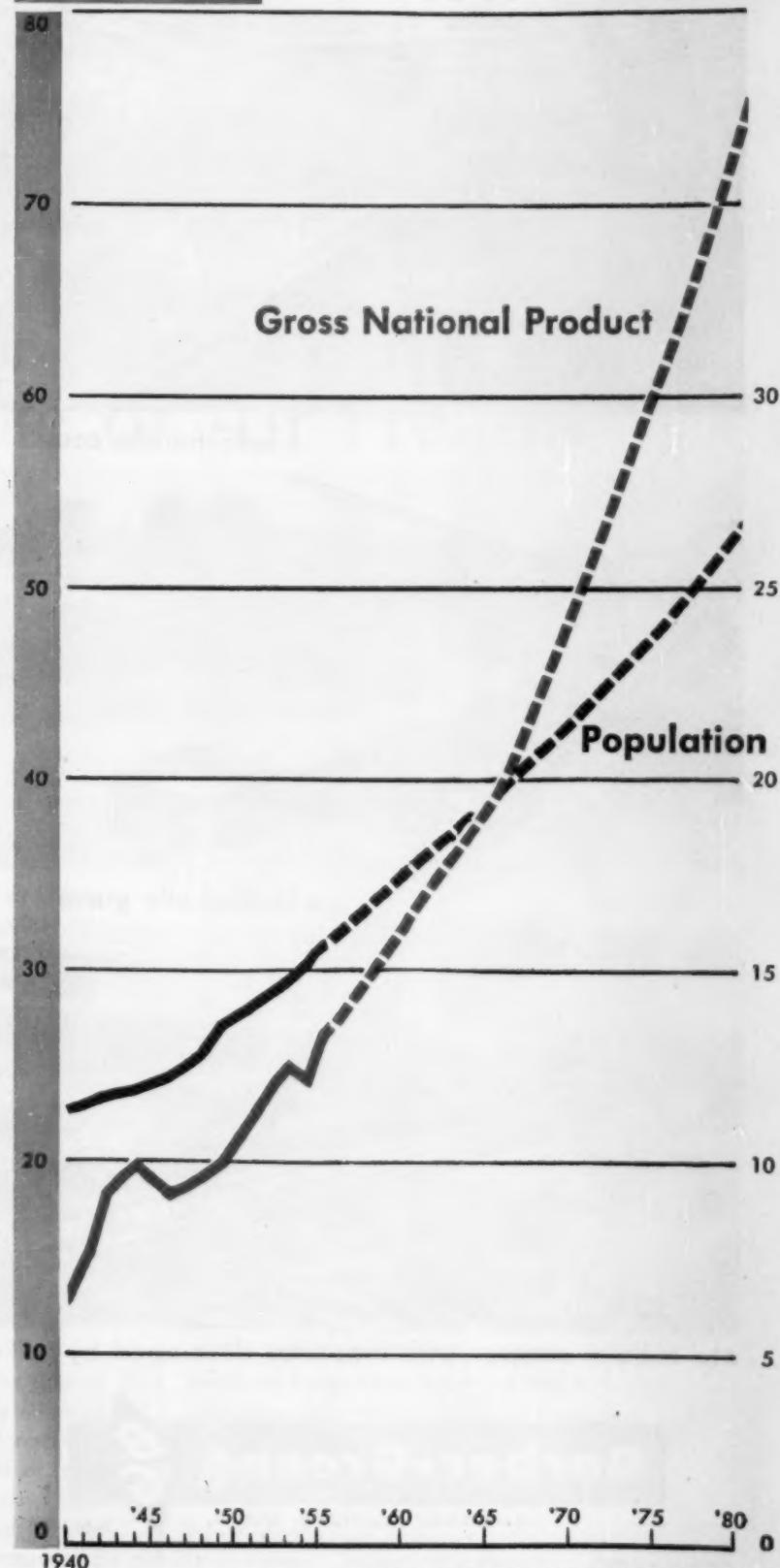
- **Oil and Gas**—The commission proposes a national energy authority, similar to the U.S. Federal Power Commission, to advise the federal government and, upon request, the provincial governments on the best uses of energy sources from the long-range view. It would have power over contracts for the export of oil, gas, and electricity.

A chapter is devoted to problems of Canada's oil and gas industry, which—the report says—operates at a disadvantage in competition with U.S. com-

Canada's Future:

Billions of 1955 Dollars G.N.P.

Millions of Persons



Data: Dominion Bureau of Statistics, Royal Comm. Estimate.

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Literature on request

CONVEYORS...LOADERS...DITCHERS...ASPHALT PAVING EQUIPMENT

"...Gordon might be heir apparent to the 71-year-old Minister of Trade . . ."

CANADA starts on p. 140

panies in Canadian fields. It suggests tax relief benefits to the smaller independent operators, similar to those that U.S. operators enjoy at home and abroad.

The commission comments that certain acquisition and property costs that are allowed to U.S. operators in computing taxable income are not allowed to Canadians. This situation works in favor of the bigger oil companies, most of which are foreign controlled; smaller operators work on a narrower profit margin and can't so readily recoup the costs in question.

Says the report: "The established U.S. oil companies, which spend by far the largest sums in exploration and development work throughout the world, receive very favorable tax treatment in comparison with other U.S. industries. To this extent the U.S. government may be said to be encouraging a worldwide search for oil by U.S. citizens and U.S. oil companies. . . . It would be an unwise practice for Canada to start favoring one industry over others through tax concessions merely because this is being done in the United States for reasons which, in that country, may be perfectly valid."

II. What to Do About It

It is hard to say how many of the commission's recommendations the Canadian government may try to enact as law. One imponderable is the effect of this summer's federal elections. Another is the prospect being discussed in Ottawa right now that Gordon, the 50-year-old chairman of the royal commission, might be heir apparent to the post of 71-year-old C. D. Howe as Minister of Trade & Commerce.

Such an appointment for Gordon would obviously put him in a better position to turn his recommendations into law. But how far he would push his points is still anybody's guess.

• **Business Background**—Gordon is not a politician. He is a quiet, scholarly, thorough student of business. He was educated in the tradition-bound but high-standard private school system of southern Ontario.

Gordon came to his present management firm—J. D. Woods & Gordon—as a junior accountant and worked his way to a partnership. Wartime work on Canadian tax-regulating commissions gave him an insight into Canada's economy. He got then a reputation as a financial wizard. **END**

To all executives concerned with
THE COST OF DISTRIBUTION

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**"The Role of Air Freight
in Physical Distribution"**

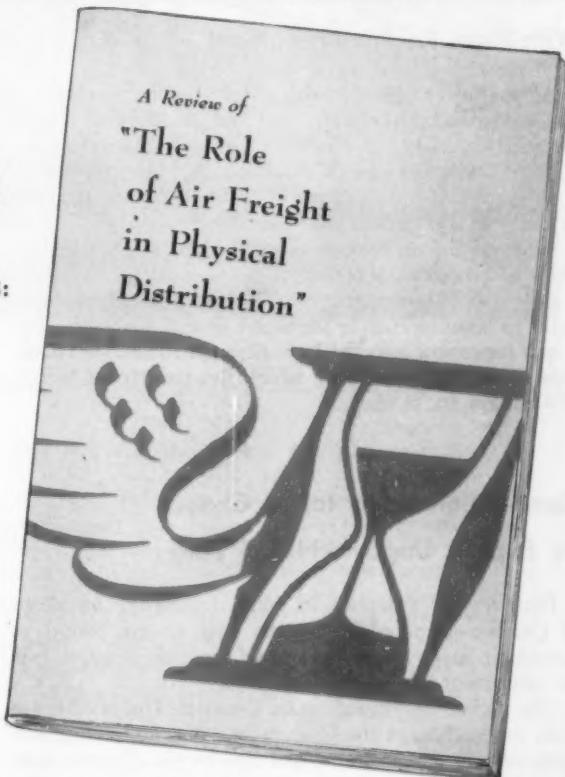
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In Canada

West Germany's Fledgling Air Force Turns to Canada to Build Its Jets

Canadair, Ltd., of Montreal this week won the biggest single export order ever awarded to a Canadian aircraft maker for military planes.

Canadair—a wholly-owned subsidiary of General Dynamics Corp.—will build 225 Mark VI Sabre Jets for the new West German Air Force. The order means \$75-million worth of new business for it and another \$30-million for Orenda Engines, Ltd., only Canadian maker of jet engines for military aircraft.

Lucas-Rotax, Ltd., of Toronto and Montreal will also benefit from the German order. This British company is a world leader in jet fuel injection systems.

Westcoast Transmission Burgeoning With Plans for Pipelines, Plant

Although its 650-mi. natural gas pipeline from Peace River to Vancouver isn't done yet, Westcoast Transmission Co., Ltd., is already planning expansions. According to Pres. Frank McMahon, the company will:

- Enlarge the pipeline at a cost of \$55-million, to boost capacity to 660-million cu. ft. daily.
- Spend \$45-million on a sulfur plant at the new gas fields in Southern Alberta.
- Build a 174-mi. natural gas pipeline leading from those fields to communities in southeast British Columbia and a spur for export into the U.S. through Idaho, via Pacific Northwest Pipeline Corp., which has contracted to buy 650-million cu. ft. daily.

Competition Keen for a Chance To Exploit Ungava Nickel Find

Discovery of a deposit of nickel ore in the far north of Quebec—rumored to be the best reserve found in Canada in many years—has started a parade of applicants for concessions to exploit it.

The nickel was turned up by Lemoyne Ungava Mines, Ltd., in a section of the Ungava area that was withdrawn from staking a year and a half ago by the Quebec provincial government, for the announced purpose of conducting a survey of the district's resources. However, Lemoyne Ungava, which was already prospecting in the area, received a two-year license to continue.

Awarding of a concession to the company to develop the 500 sq. mi. it has explored is considered only a formality. Less certain, though, is the fate of nickel deposits adjoining Lemoyne Ungava's find. By early January, as many as two dozen companies had filed for concessions on these reserves—including International Nickel

Co. of Canada, Ltd. Last week, after a huddle with Inco Pres. Henry S. Wingate and Vice-Pres. J. Roy Gordon, Quebec's Premier Maurice Duplessis said the big company was prepared to spend at least \$5-million immediately to complete geological and engineering studies—plus a probable minimum of \$100-million later on to develop a mine, if it proves warranted.

Duplessis and the Quebec government are expected to decide who gets the concessions in late February.

U. S. Steel Plunges Into Saguenay To Develop Reserves of Iron Ore

United States Steel Corp. is carrying its search for ore far into the Saguenay district in a project rivaling the vast Ungava development of the Iron Ore Co. of Canada.

Through its subsidiary, Cartier Mining Co., U. S. Steel is launching this spring a \$200-million program 150 mi. north of the Gulf of St. Lawrence and roughly 300 mi. from Quebec. The elaborate plan calls for construction of a 150-mi. railway line from the mining site to Shelter Bay on the St. Lawrence, where a deep water marine terminal and a townsite will be built. A hydroelectric installation and town will go up near the mine.

By 1961, when these initial steps are complete, the company may push the rail line another 100 mi. north to develop a second mine.

U. S. Steel's reserves in the area are estimated at 750-million tons of low grade ore, both hematite and magnetite, including 150-million tons at the original mine site. For the present, however, the company plans only to exploit the hematite ore.

Target production of the plant to be erected at the mine site will be 5-million tons of pellets a year, from 10- to 12-million tons of ore.

Oil Riches of the Athabasca Sands To Yield to Tapping by Royalite

Royalite Oil Co., Ltd., of Calgary has made known a four-year plan to spend up to \$50-million to draw oil from the Athabasca sands.

The sands, which cover 30,000 sq. mi. some 350 mi. northeast of Edmonton, are considered the world's largest reservoir of crude oil. Reserves are estimated at between 100-billion bbl. and 300-billion bbl. but no one has ever successfully extracted the petroleum riches for commercial development.

Royalite's answer is to construct a separation plant and a processing plant for 20,000 bbl. per day on its 50,000-acre lease at Mildred Lake, an area with reserves estimated at 1-billion bbl. The project, complete with pipeline to Edmonton, should be finished by 1960.

To spin the sand from the oil, the company plans to use the Coulson centrifuge system, invented in Calgary. The method works on oil somewhat like a separator on milk.

Royalite expects that its network of 450 retail outlets in Western Canada will absorb the entire initial output of crude from the Athabasca sands.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK
JAN. 19, 1957



The Eisenhower Doctrine is in serious trouble on Capitol Hill. Senators grilling Secy. of State Dulles this week are showing even more hostility to basic features of the program than the House Foreign Affairs Committee did last week.

Here's the way things seem to be shaping up:

• In the end, authority to use American armed forces to repel Soviet aggression in the Middle East will be granted to Pres. Eisenhower. But Congress will insist on qualifying it with a cutoff date or some other means of terminating the authority.

• The request for more economic aid for the Middle East may not scrape through Congress—or if it does, it may be so hedged with restrictions that the extra funds will be of little use at bargaining counters in the area. The big snag, aside from the basic coolness to new foreign aid programs, has been Dulles' refusal to spell out what the aid would be used for.

Dulles has good reasons for refusing to be specific about his plans for using the aid. He wants the money to bargain for political cooperation with Middle Eastern governments. And his bargaining power would be largely lost if these governments knew in advance just how much money the U. S. was prepared to spend on what programs. For example, the State Dept. might be considering the possibility that the U. S. should pick up part of the subsidy Jordan has been getting from the British. But at this stage, Dulles obviously doesn't want to announce that to the world.

The Administration will fight hard to save the aid features of the Eisenhower Doctrine. Dulles will be talking very bluntly to the Senate committees this week in executive session. Eisenhower is considering a new personal appeal to Congress and the people.

Note this, however: Egyptian Pres. Nasser will get no aid and no firm offers of aid unless he starts cooperating on an acceptable Suez settlement and accepts at least a modus vivendi with Israel.

The Administration definitely has decided to try to isolate Egypt politically and wear it down economically—in an attempt to force Nasser to play ball with the West. The Egyptian dictator, in fact, is rapidly reaching the point where he will have to decide whether he wants to play on Washington's side or Moscow's.

The State Dept. isn't ruling out behind-the-scenes cooperation with Britain in the Middle East. U. S. and British objectives in the area are virtually identical—the friction in the past, and the recent violent differences, have been over the methods of reaching these objectives.

U. S. officials now hope that the failure of the Suez adventure has convinced the British that new methods are needed in the Middle East. State Dept. also feels that the remaining British strong points in Iraq and the Persian Gulf can be useful in stabilizing the area.

—•—

Topside changes in the Soviet regime may be coming soon—at a meeting of the Supreme Soviet starting Feb. 5. That's the gist of reports reaching the West via Poland and Yugoslavia.

There are several versions of what's coming in the Kremlin:

One has it that Malenkov will replace Khrushchev as Communist Party boss, while the latter takes over Bulganin's post as Premier.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JAN. 19, 1957

Another has Malenkov as Party Secretary, Zhukov as Premier, and Khrushchev demoted to Minister of Agriculture.

In both cases Pervukhin, Russia's new economic czar (BW—Dec. 29'56, p27), would retain his job.

If there's anything to these reports at all, they add up to a bigger role for Malenkov and Zhukov.

Some Soviet specialists go even further and argue this way: Professional Communist politicians like Khrushchev are gradually being pushed into the background. Government administrators like Malenkov (he has a similar party background to Khrushchev's but more managerial experience), military leaders like Zhukov, and industrial managers like Pervukhin are taking over power in the U.S.S.R. In short, the Communist Party, as it has been known in the past, has started to wither away.

—•—

For the first time since World War II, Britain has a government that believes in European economic unity. Prime Minister Macmillan and Chancellor of the Exchequer Thorneycroft both feel that Britain will have a very dim economic future unless it joins its Continental neighbors in forming a huge mass market.

With the French and West German governments already committed to European unity, this looks like the moment for some big decisions.

The Eisenhower Administration is all in favor. This week the State Dept. issued its official blessing.

France's Premier Mollet intends to put the principle of the Common Market—a customs union between France, West Germany, Italy, and the Benelux nations—to a vote of confidence very soon.

A Mollet victory won't mean that France is committed to ratify the Common Market treaty when it's ready for signature. There are two important matters—whether France's overseas territories should be included and the position of farm products—that still have to be settled.

Next month Thorneycroft will tell the Europeans just how Britain plans to fit into the Common Market through an associated free trade zone.

—•—

Despite optimistic talk in Bogota, New York banks aren't ready to bail Colombia out of its heavy debts to U.S. exporters (BW—Jan. 12'57, p128).

Finance Minister Luis Morales has outlined a plan for liquidating 60% of the backlog of commercial debts by cash payments, the balance by notes paid over 30 months.

The New York banks go along—in principle—with the plan. But they put Colombia's debts at over \$200-million—way above Morales' \$126-million figure. They question details of the plan. And they see no good coming in Colombia's financial picture from this week's elevation of Carlos Mario Londono to be manager of the Banco de la Republica. In the past, he has favored nationalization of Colombia's banks.

Best guess now is that full-scale debt repayment won't begin before May or June—at the earliest.

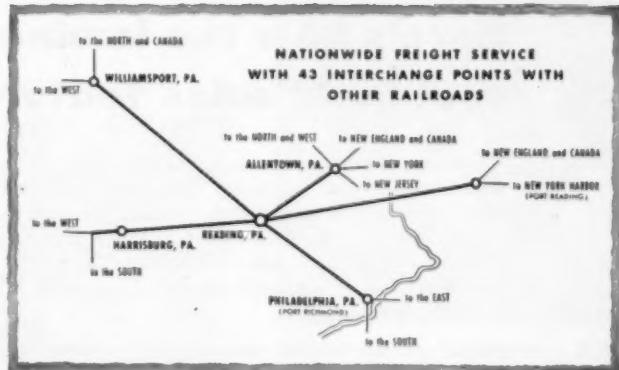
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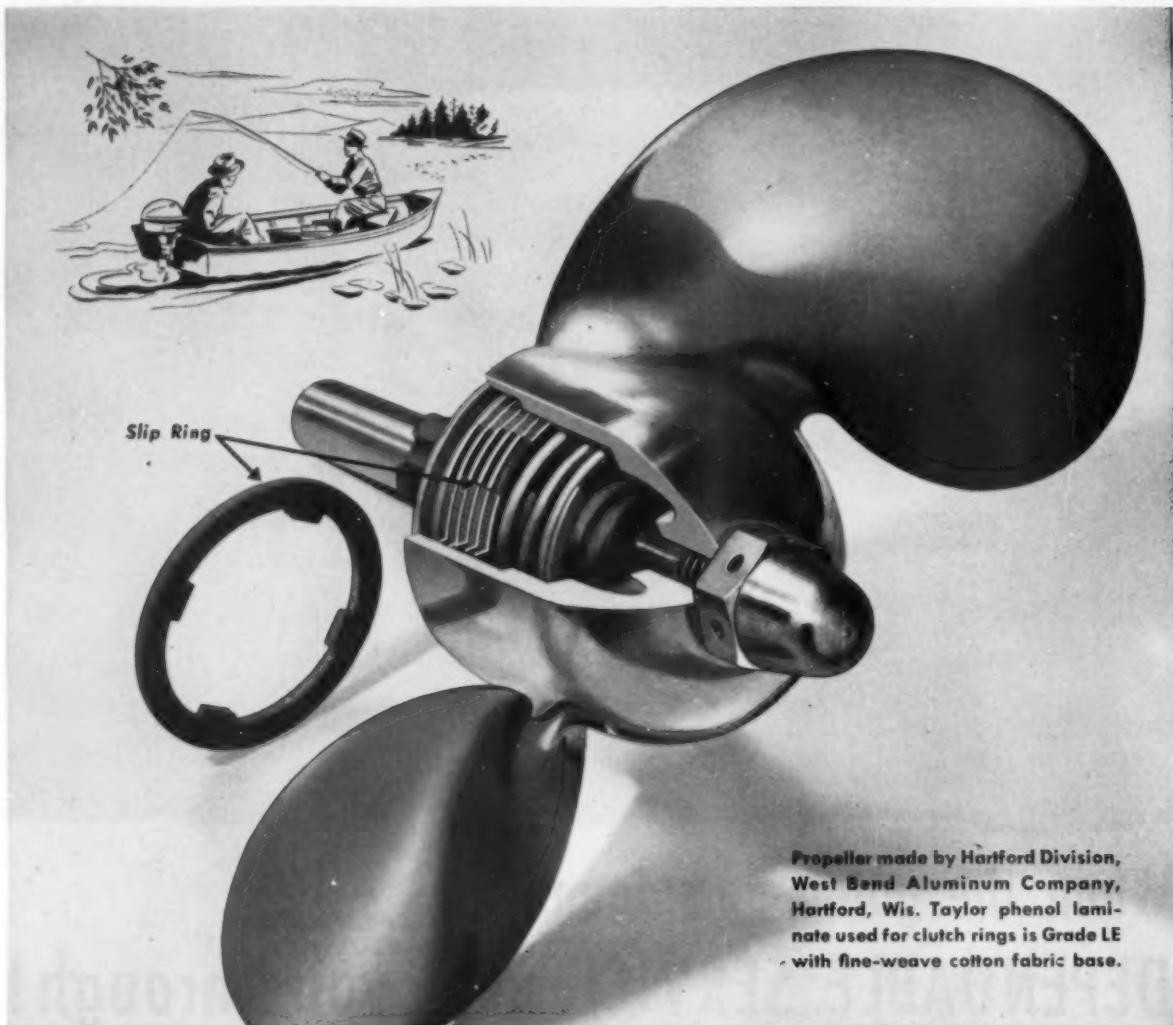


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Sweden Still Faces An Inflation Threat

ALL THROUGH 1955 and 1956, Western European statesmen and economic planners were straining to preserve their romping prosperity. By last fall, there was a grave threat almost everywhere that prosperity was going to get out of hand, that inflation might result. Then came the Suez crisis and its oil shortage put an unsought damper on the boom (BW-Dec. 1 '56, p31).

Among whatever new problems are troubling Western Europe ministries this week, inflation isn't taking top priority. In fact, in West Germany, the government last week cut its prime discount rate from 5% to 4 1/2%—a signal that the inflationary threat there had passed its peak. In Britain, the new Chancellor of the Exchequer, Peter Thorneycroft, is worried by production lags rather than inflation (page 34).

Still, in northern Europe, the Swedes are right in the middle of a battle against inflation. The oil shortage didn't touch them. The practical Swedes, faced each winter with a freeze-over in the Baltic, laid in heavy stocks last fall. So when the Suez blockage came, they had only momentary qualms. Despite their growing dependence on oil for heat and power, they won't have any trouble meeting their needs from their cache until Suez is freed again (page 28).

• **Studying Future**—That's why you'll find Swedish economists, at least when talking on their own domestic troubles, in a different frame of mind from most

of their European counterparts today.

This month they are turning their attention to a government-sponsored report just issued in Stockholm. The report was compiled by a commission under the chairmanship of Ingvar Svennilson (picture, page 152), a prominent Swedish economist. Generally referred to as a five-year plan, the report, titled *Balanced Expansion*, projects present Swedish economic trends and makes recommendations as to how the government might best steer developments along the straight and narrow.

• **Inflation**—Problem No. 1 for Svennilson and his associates is the competition between the rapid rise in consumption (pictures, right and bottom) and the necessity for heavy investment in industry. This competition for kronor savings has brought on inflationary pressures, forced the Socialist-dominated low-interest government to abandon its traditional policies in favor of harder money (BW-Jun. 11 '55, p134).

The trouble is, though, that monetary controls haven't been successful. They have only slowed the increase in consumer spending—it still rose 3% last year over 1955. This pushed the wholesale price index up 24% from March to August last year. It created a run on imported goods that has built up an estimated \$80-million deficit in Sweden's balance of payments for the year.

Worse still, whatever anti-inflationary success the program has had has been



STOCKHOLM has modern stores and office buildings. One out of nine Swedes now owns an automobile—Europe's highest rate.



DINING CAR on Swedish State Railways looks luxurious, another index to the Swedes' high standard-of-living.



FURNITURE in a typical Swedish city home (left) shows style that has been widely adopted by U. S. home decorators.

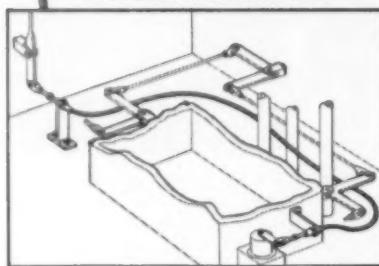
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SVENNILSON headed Sweden's commission to study 5-year economic outlook.

at the expense of economic growth. Sweden's gross national product rose last year by only 2%; Sweden's normal growth is between 3% and 5%.

• **Under Pressure**—How to meet this problem of rising consumption, growing investment demands, and long-term growth was the challenge thrown to the Svennilson commission. But almost all the commission's answers are hemmed in by the pressures of public opinion, expressed either through the ruling Social Democratic party or directly through consumer demands.

Sweden chose one of the most respected and least controversial of its large stable of economists to head the commission. Svennilson is a 48-year-old professor of Stockholm University, he is a specialist in growth economics. He played an important part in drafting Sweden's last long-term economic report in 1948 (along with the then Under Secy. of Finance, Dag Hammarskjold).

• **Liberal View**—While he belongs to the so-called "Stockholm School," which has produced such socialist economists as Gunnar Myrdahl, Svennilson is a liberal. He stresses, for example, that the new plan isn't supposed "to come true" because it functions in a market economy where the consumer has the same free choice as in the U.S. He presents it simply as a frame within which investment and consumer demand can be squeezed.

• **Tight Fit**—It's a tight squeeze. Sweden, which already has one of the highest per capita incomes in the world, is moving into a new age of high-living standards. As one Swedish economist at the United Nations put it this week, the problem is particularly difficult in a country like Sweden where the differences in the economic scale are so small.

For example, a number of Swedes

are now moving into the car-owning group. Relative to total population, it is a mass movement. This means not only heavy expenditures for autos (a large percentage of which must still be imported) but also heavy investment in roads, garages, filling stations, and urban redevelopment. And the movement is rapid. Today one Swede in nine owns a car—the highest ratio in Europe. By 1960, probably one Swede in four will own a car.

At the same time, Sweden must expand its industrial capacity to meet this demand, automatize to increase productivity and prevent a strain on the already overburdened labor market. The government itself has a backlog of investment needs including housing, schools, hospitals, and other public projects. The government has an atomic heating program under way and must speed it up to stop the drain on foreign exchange as imported oil creeps past the mark where it supplies 50% of energy.

• **Savings Rate**—In the face of these demands, the Social Democrats and their supporters in the trade unions have been preaching personal savings for the past two years.

The Svennilson report concurs, recommends that investments be continued at the present level of about 30% of GNP, but it points out that this rate will be hard to maintain if imports go on exceeding exports. Its answer is to expand export industries enough to assure, by 1960, a trade balance of \$80-million a year in favor of Sweden.

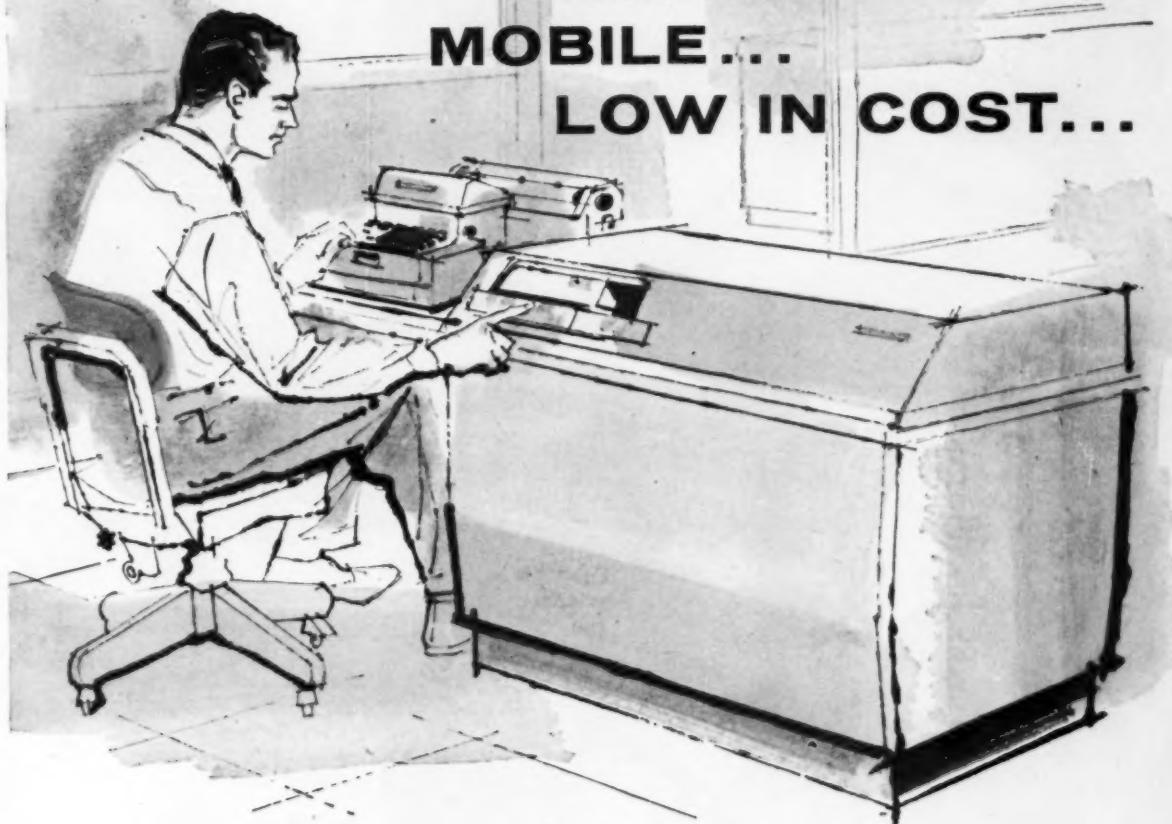
The commission is pessimistic about Sweden's ability to achieve the recommended rate of savings. One solution, only hinted at, might be to resort to heavy importing of capital, as Norway is now doing (BW—Oct. 13 '56, p151). But the Swedish Central Bank has not permitted foreign loans in the postwar period—perhaps the memory of German attempts to move into Swedish industry in the 1930s is still too fresh, and the bank also argues that they would need government encouragement of over-consumption.

• **Five-Year Goals**—Still, despite all these difficulties, the commission sees a net GNP growth of 15% or 20% over the 1956-60 period.

The Social Democrats are dedicated to a policy of rapid increase in private consumption as well as higher wages and lower hours for the workers. How far they can go along with the "plan" remains to be seen. They can't afford to alienate any of their supporting groups by too much anti-inflation action. The number of trade unionists in the country, who supply the bulk of the party's votes, is getting proportionately smaller. In the 1956 elections, the Social Democrats lost their absolute majority for the first time in 25 years, keep control only by a coalition. **END**

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How to Sell to Credit Risks

A \$40-million "package" sale of American goods to Turkey shows new way to do business with dollar-short countries.

SINCE WORLD WAR II, U.S. companies have broadened their interest in selling goods in foreign markets. Their stepped-up effort has paid off—with foreign earnings contributing an increasing portion of total sales income.

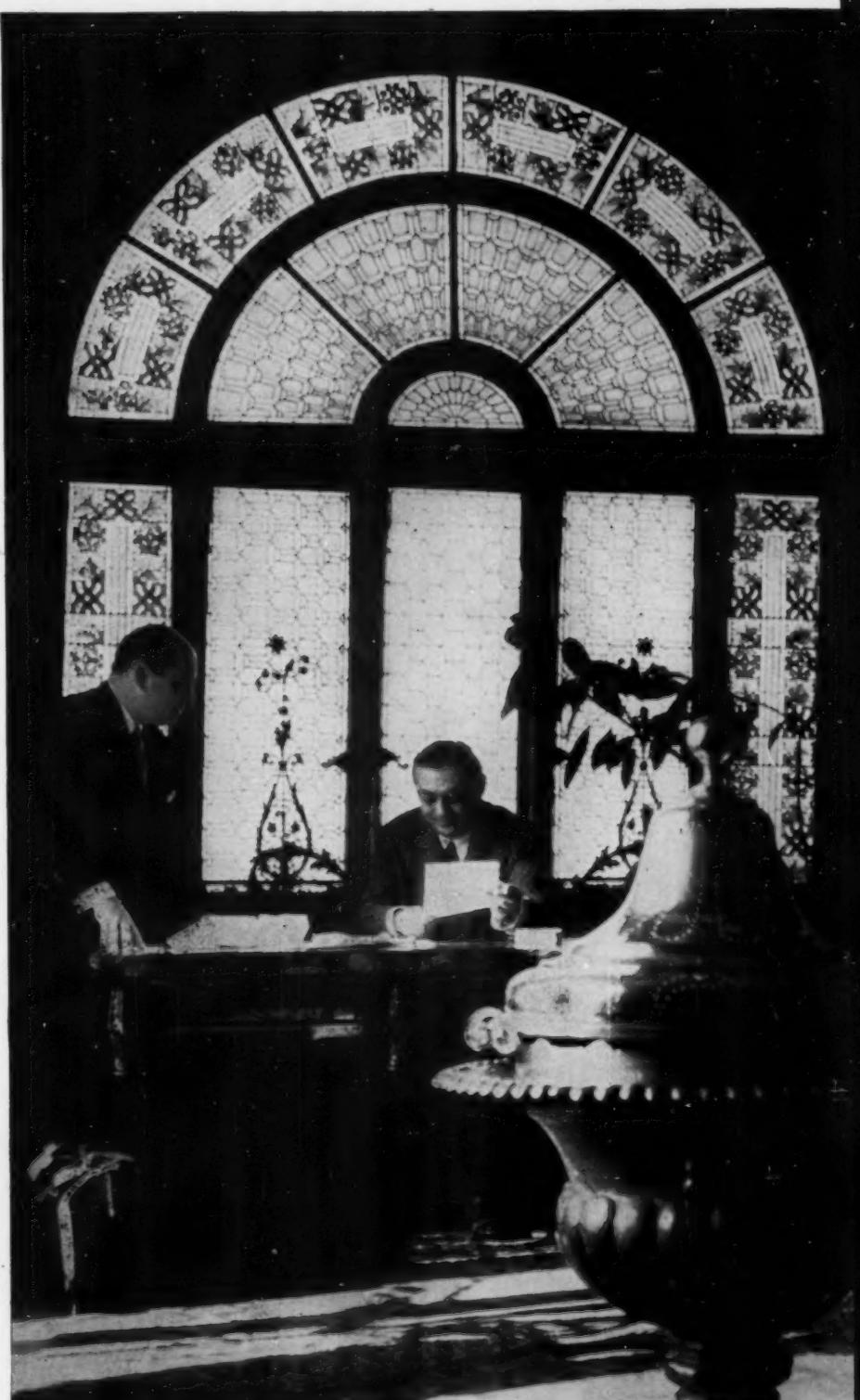
But U.S. companies still get cold feet when it comes to selling goods to many underdeveloped countries. These countries—mostly in the Middle East, Asia, and South America—need capital goods badly to build their economies. Yet, more often than not, they are short of dollars for buying U.S. equipment. They frequently strain under backlogs of unpaid commercial debts. In some cases, U.S. government agencies such as the Export-Import Bank and the International Cooperation Administration shy away from extending credit to these countries.

• **Pattern for Selling**—That's why a recent contract to sell \$40-million worth of U.S.-made railroad equipment and materials to the Turkish government is so unusual. The contract is a package deal in which some 10 U.S. companies are participating. It is completely private—with no U.S. government financing involved. All told, it adds up to a new method for financing overseas sales of U.S. goods.

Mainspring in the deal is Gideon Hadary, vice-president of Pan American Investment, Inc., a service company in Washington set up three years ago by Columbian Steel Tank Co. Hadary's main job is to sell Columbian Steel's products overseas—grain bins, oil storage tanks, and other equipment.

• **Topnotch Negotiator**—Hadary's specialty is finding ways to finance sales of U.S. goods in soft-currency countries such as Turkey. He doesn't make any claims to inventing radically new methods of international financing. He relies on U.S. government financing, private lines of credit, promissory notes, barter deals. But as a somewhat independent operator, he has not been hidebound by big-company conservatism and has felt free to use his imagination and talent as a negotiator to swing off-beat deals.

So far, his main stamping ground has been Turkey. The country is up to its ears in economic troubles. It has made some moves to attract foreign investors—for instance, this week's agreement to protect U.S. subsidiaries in



GIDEON HADARY (left), executive of a Washington financial service company, calls on Turkish Ambassador Haydar Gork to complete a private deal to sell Turkey U.S. goods.



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Turkey against loss through expropriation. But officials put its overdue commercial debts to West European and U.S. companies at between \$200-million and \$300-million. The Turkish government has already borrowed so heavily against its dwindling reserves that it has no effective reserves left. The free-market rate for the Turkish pound has been falling rapidly. And observers see no end in the near future to the country's inflation.

• **First Success**—Yet, about a year ago, Hadary successfully negotiated a deal with the Turkish government for the sale of \$6-million worth of Columbian Steel grain equipment. Part of the deal was straightforward—a loan from the Export-Import Bank. But to help the Turkish government cover the required 10% down payment, he took the unusual step of accepting a shipment of opium (for medical use) that he then sold to the U.S. government for dollars.

Hadary's second—and record-size—deal with the Turks has branched out into something much different.

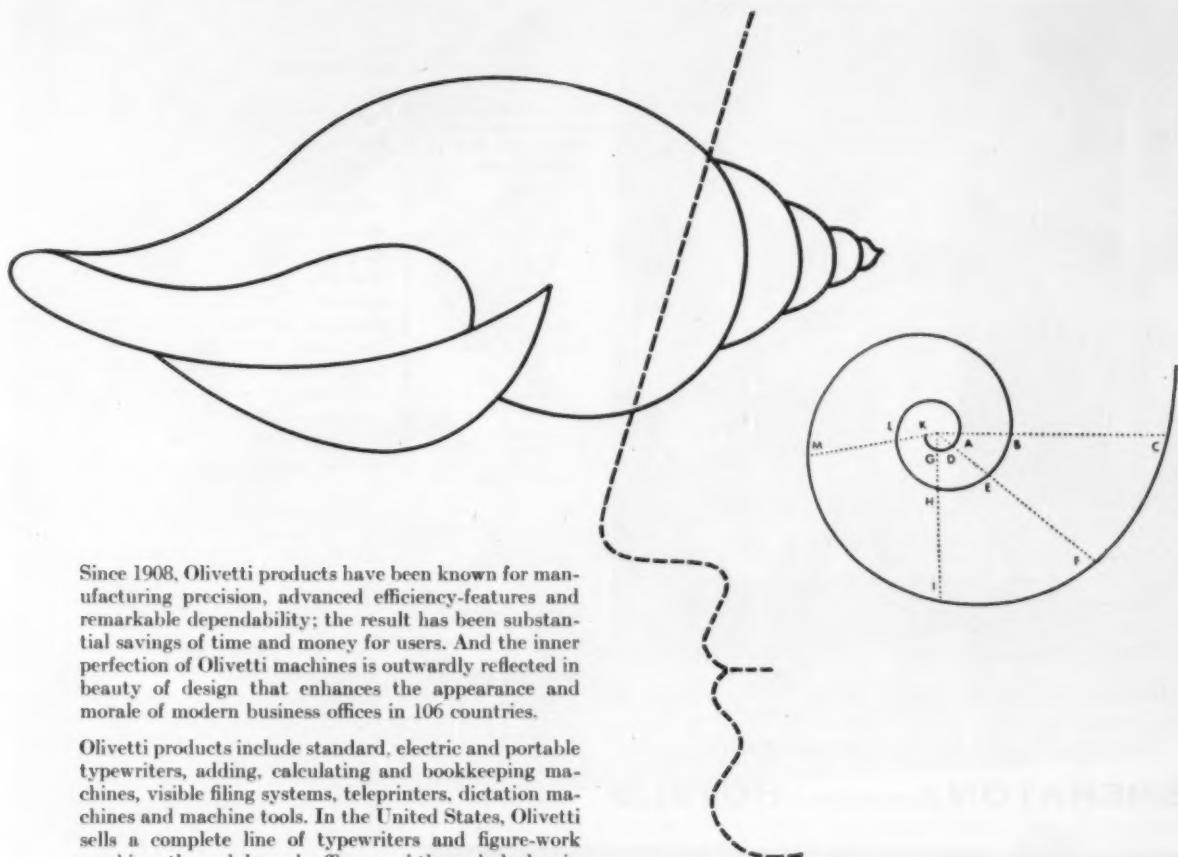
• **The Big Deal**—Last August, Hadary figured he could sell Turkey some storage tanks for diesel fuel as part of the government's eight-year program for modernizing its railroads. But to make use of fuel tanks, the Turkish government would need locomotives, rails, fuel, and other materials.

U.S. locomotive manufacturers had been trying for years to sell diesel equipment to Turkey. Faced with the obstacle of dollar payments on any private deal, they had tried to get U.S. government backing—but without any success.

Hadary helped solve this problem—at least for one locomotive manufacturer, General Electric Co. From early September to mid-November of last year, he organized a "package" sale amounting to \$40-million. The package, of course, included Columbian Steel tanks. But it also included other companies—GE, Allis-Chalmers Mfg. Co., Cooper-Bessemer Corp. among them. After over a month's negotiations in Turkey, Hadary had the final contract in hand on Dec. 28.

The contract calls for the delivery, beginning this June, of 90 GE diesel-electric engines costing \$22-million. It also specifies delivery of engine spare parts, 1,250 mi. of rail, prefabricated fuel depots. Fuel oil also will be shipped to Turkey, though as yet it is not known where the oil will come from. Nevertheless, Turkey set aside money for paying for it. In addition, Hadary's Pan American company will arrange for training Turkish railroad personnel here—with the Turks on Pan American's payroll.

• **Method of Payment**—The Turkish government is covering roughly half of the \$40-million sale with treasury

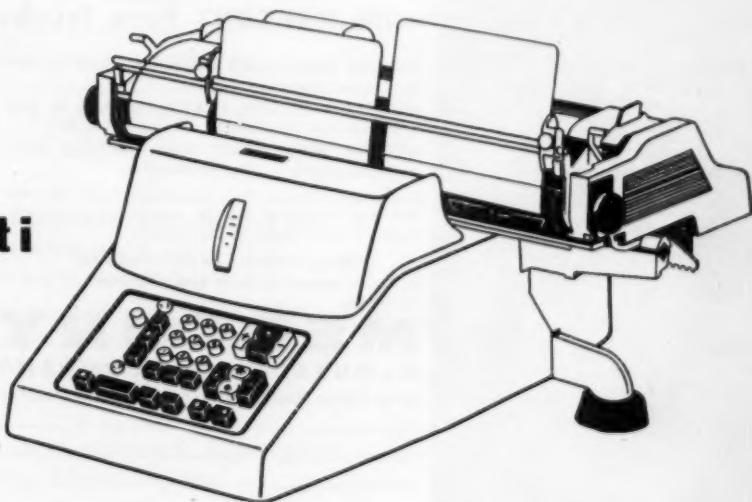


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promissory notes bearing 5% interest that are payable in eight years. The government has been notoriously slack in meeting certain types of its financial obligations. But the notes in Hadary's deal are a special, rarely used type on which the Turkish government has never defaulted.

The really odd part of the contract is barter payment for the other half of the \$40-million. Hadary will receive any number of key Turkish commodities—chrome, opium, pistachio, mirsham, licorice. Then he will market these wherever he thinks he can get the best return—of course, taking into account freight costs and the ease of currency convertibility in countries that are potential commodity buyers. The bulk probably will be sold in Western Europe, but some of the products may be sold here as well. Prices for the commodities, of course, will fluctuate during the period in which Hadary expects to sell them. But his agreement with the government calls for delivery of Turkish commodities in terms of their dollar value on the market at the time—and not in terms of quantity.

• **Spreading the Risk**—Keystone of Hadary's approach is flexibility in negotiating with a foreign country and adjusting to special currency situations around the world. "In this latest Turkish deal," he says, "the tail is wagging the dog." The dollar value of Columbian Steel's share of the pie is less than 10%. But that's some \$4-million worth of fuel tanks. And, besides, Hadary notes that the "package" approach helps spread the risks.

Right now, Hadary is negotiating with the Italian Federation of Farmers Cooperative for the sale and erection of some \$20-million to \$50-million worth of prefabricated grain elevators. He has a similar, but much smaller, deal working with Paraguay.

• **Special Qualifications**—Hadary's own background fits into this pattern of agriculture deals. He got his Ph.D. in agricultural economics from the University of Wisconsin. After a brief spell in industry, he began working for the Dept. of Agriculture and, later, the Economic Cooperation Administration (and its successor agencies). While in government service, he got to know the Middle East and Europe well. He became expert in handling currency matters and developed a fair working knowledge of eight languages—though he still depends on interpreters for detailed contract negotiations. He also learned his way around official circles in foreign governments.

Today, 38-year-old Hadary sees his work for Pan American expanding into a business that will take on overseas sales transactions for any reputable U.S. company—in addition to Columbian Steel. **END**

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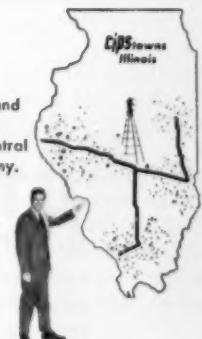
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In Business Abroad

Dillon Slated for New Post to Soothe Allies and Push Liberal Trade Policy

The appointment of the U.S. Ambassador to France, C. Douglas Dillon, as Deputy Under Secy. of State for Economic Affairs is considered a double-barreled reinforcement of the Administration's foreign policy. Rightly or wrongly, Dillon is looked upon as one of the foremost advocates of the "European" point of view in the U.S. diplomatic corps. By putting him in the key State Dept. economic post, Washington observers say both Paris and London will be given one more reassurance that the difference between them and the U.S. over Suez are bygones. Dillon's appointment also is being taken as a sign that the Administration intends to battle for



its program of liberalizing international trade. It's certain that Dillon's job will be cut out for him in handling relations with the new Congress, where protectionist sentiment is probably higher now than at any time since the early 1930s.

Dillon was vice-president and director of Dillon, Read & Co., Inc., from 1938 to 1953 and board chairman from 1946 to 1953.

Muddle in Argentina Makes Foreign Investment Difficult

A recent offer of a U.S. manufacturer to invest up to \$12-million in a farm implement plant in Argentina points up the muddle that exists in that country today. Deere & Co., Moline, Ill., told Provisional Pres. Pedro Aramburu it was interested in entering the Argentine market. But Deere asks that it must be assured of free competition.

That's the rub. Ex-dictator Peron signed an agreement with four European companies—Deutz, Fahr, Hanomag, and Fiat-Someca—under which they received a virtual monopoly in the farm implement field.

When Peron was overthrown, this deal—like many others—was suspended. So far only one, with Kaiser Motors, has been approved, with some modifications. The German and Italian companies continue to operate under the terms of their Peronist agreement, but under strict government control with a close check on their finances.

Aramburu so far has not been able to clear up the situation. It's one of the reasons why a \$100-million U.S. Export-Import Bank loan is hanging fire although the Argentines are badly in need of the money for capital goods.

Aramburu's problem is that ultranationalists and Peronist trade unions oppose modifying the old arrangements. Last week, for example, workers in the Fiat operation petitioned Aramburu not to let any other producers into the market, arguing it would endanger the jobs of the 2,000 Fiat workers and its 270 supplier companies.

Suez Crisis Spurs Raft of Plans—And Dreams—for Pipelines

The salvage operation to clear the Suez Canal (page 20) is well under way. But that's not stopping plans—and dreams—of oil companies and West European countries to make Middle East oil shipments less dependent on the Suez Canal. Here are several projects that have been proposed:

- A pipeline from the port of Eilath, at the northern end of the Gulf of Aqaba, to Haifa on the Mediterranean—all of it through Israeli territory. The proposal calls for construction of a \$62-million project, would take an estimated two years to complete.

- A pipeline from the main oilfields along Saudi Arabia's east coast and from Iran's new oil strike west of Teheran through Iraq to a Mediterranean port in Turkey. One obstacle to this project is the fact that experts say most of the pipeline would have to be 46 in.—that size pipe isn't made anywhere today.

- A pipeline from Iran's new oil strike to the Abadan refinery on the Persian Gulf.

- A huge pipeline—24-in. pipe running about 2,000 mi.—across South Africa from Mtwara, a fine harbor in southern Tanganyika, to Walvis Bay in southwest Africa. Promoters claim the line would halve the sailing time around the Cape—now necessary because of the Suez Canal blockage.

Belgium, Anticipating 1958 Fair, Looks Around for Ways to Pay for It

This week publicists in New York began ballyhooing the world's fair to be held in Belgium in 1958. But officials in Belgium were wracking their brains figuring out ways to finance the exposition in Western Europe's tight money market.

Last March the government issued \$22.5-million worth of \$20 bonds bearing 2% interest and giving the holder one chance in 4,500 of winning prizes between \$1,000 and \$100,000. The cost of the issue to the government totals an average of 4 1/4% per annum. All bonds are finally repayable in 1960.

In addition, the government has given the exhibition backers priority call on the proceeds of the "colonial lottery"—an officially financed charity project for the Belgian Congo.

This financing is independent of what the government is spending on other projects to dress Brussels up for the event—including a large program of road building. Still, the program has suffered because of tight money, and such grandiose schemes as underground streetcars and a new administrative city have had to be abandoned.



The dashing new Corvette (left) and the Bel Air Sport Coupe.

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*270-h.p. high-performance V8
also available at extra cost.

THE MARKETS

Wall St. Talks . . .

... about the 1957 market outlook . . . money rate comparisons . . . profit margins . . . government spending.

A "pro" views the 1957 market outlook: "Our preliminary guess," reports Standard & Poor's Corp., "is that . . . [our] . . . daily industrial index in 1957 will move between 515 and 440, as compared with last year's range of 532.8-450.1" and its current level of about 480.

For the record, here's how money rates recently compared with those prevailing a few years ago: FRB discount rate: 3% vs. 1 1/4% at the close of 1954, 1 1/4% at the end of 1952. Weekly 91-day Treasury bill offerings are now: 3.26% vs. 1.18% and 2.19%. On 90-day prime bankers' acceptances the rate is 3.38% vs. 1 1/4% and 1 1/4%. U.S. government bond yields compare this way: 5-year bonds: 3.69% vs. 2.17% in 1954 and 2.36% in 1952. 10-year: 3.57% vs. 2.46% and 2.52%; 20-year: 3.49% vs. 2.57% and 2.79%.

Smart Streeters are watching corporate profit margins closer than ever. The reason: In 1957 they'll have to widen—often sharply—in order to check the earnings downturn that has become noticeable recently. And this might well prove hard to do in view of (1) the rising trend that's increasingly discernible lately in operating costs—particularly wages, and (2) the concurrently growing difficulty in many trades to expand sales volume.

The investment trusts' favorite common stock holding was Standard Oil (N. J.) at the close of last June, reports Wall Street's Vickers Associates, Inc. Next in favor at that time were, in the order named, International Paper, Amerada Petroleum, Texas Co., General Motors, U. S. Steel.

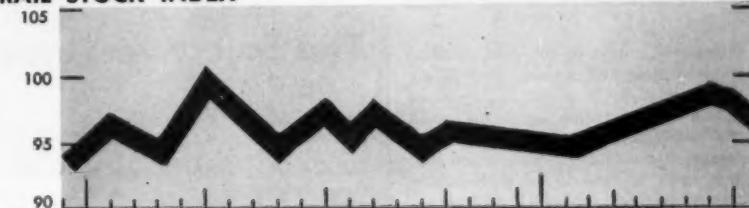
Don't overrate the increased government spending now indicated as a market stimulant. That's the advice of some pretty shrewd market students. As one, Moody's Investors Service, points out: "The increased outlays are to be within the framework of an amply balanced budget . . . will be partly the consequence of higher costs, an element already well known to the market, and they are evidently to be mostly for guided missiles and planes, which areas are already working at capacity."

1956-57's Abortive Yearend Rally

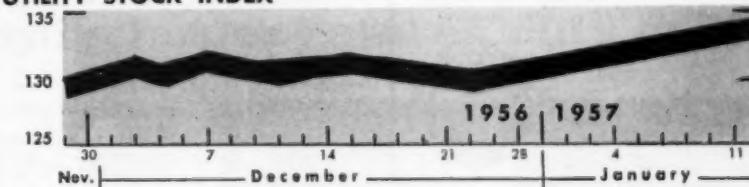
INDUSTRIAL STOCK INDEX



RAIL STOCK INDEX



UTILITY STOCK INDEX



Data: Interim Highs and Lows of Standard & Poor's Corp.
Daily Stock Price Indexes (1926 = 100)

© BUSINESS WEEK

Worrying Played a Part

"Prospects still favor . . . (some further recovery) . . . but probably 85% of this has already been accomplished."

That was the mid-December prediction of one of Wall Street's shrewder readers of the crystal ball, Reynolds & Co.'s market letter writer. He was, of course, referring to the "gain potential," as he saw it, of the traditional "year-end rally" then under way and stirring bullish hopes. He was right on the nose. Consider the market's disappointing performance as depicted in the charts above, particularly in the top pair, which together comprise its most important health indicator.

Not even those uninspiring exhibits give the complete story of what has

been occurring. The charts don't show last Tuesday's Big Board proceedings, when stocks generally staged their worst price break for weeks. When you take this into account, you find, (1) that both industrial and rail issues by mid-week had lost roughly three-quarters of the 7% gain that each could boast of early in December, (2) that what gains they could still show were a bit less than actually recorded the day the yearend rally started.

• **Worries**—Streeters say that a number of factors have pulled the plug of market optimism. None has been more important than the increased worries among potential stock buyers about the business outlook. Tops among the

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worries—and stressed by recent price action of their shares—are:

• The operating potential of such important underpinnings of the current boom as home building, steel, and autos.

• The effect on business profits per se of the virulent cost inflation.

Market proceedings have indicated a growing propensity for more buying and less selling among the so-called "defensive issues." Especially favored, as the bottom chart on page 163 confirms, has been that traditional "cyclone cellar," the electric power utilities.

• **Bond Prices**—Just as important as the worrying is the competition that bonds have been offering to stocks, due to the sharp rise in recent months in money rates.

More and more new issues, both corporate and tax-exempt municipal, are now being offered at prices that look "right" to erstwhile stock buyers. Important portfolios that habitually ducked fixed-interest securities have started to show an active interest in them. Indeed, some Streeters who should know assert that much of the cash accruing from the recent large stock sales, including

secondary offerings, has been tucked away in new bond offerings for "safety."

Thus far, the goings on have been rather selective, with the blue chips and near-blue chips, giving the more discouraging price performances and the secondary, or more speculative shares (often much more), turning in showings from passable to spectacularly good (tabulation below).

Fortunately, the recent worries over what lies ahead have not yet touched off any concerted move by participants to retire from the market. In other words, the damage to date to the market's price structure has been done mainly by a growing reluctance to buy.

Professional opinion leans to the belief that we may well see more of the same. Standard & Poor's Corp., expects to see the continuance of "a trading range general market, with cross-currents among individual stock groups." Moody's Stock Survey seems to agree. And both, it is noticeable, suggest building up buying reserves for future use, presumably because they anticipate more attractive prices later on.

The Selective Yearend Rally

	Percent Change November low versus Recent Level					
	1956-57 High	November '56 Low	1956 Yearend	Recent Level	1956 Yearend	Recent Level
Lukens Steel	\$185.00	\$107.62	\$182.37	\$171.00	+69.5%	+58.9%
Cooper Bessemer	60.00	42.37	57.75	56.75	+36.3	+33.9
Carrier Corp.	65.25	49.50	57.37	63.62	+15.9	+28.5
Chance Vought	49.00	37.25	42.25	46.75	+13.4	+25.5
Brunswick Balke	47.00	38.62	44.25	46.25	+14.6	+19.8
Clark Equipment	75.50	53.50	63.50	64.00	+18.7	+19.6
Pepsi Cola	26.25	18.50	19.12	21.87	+3.4	+18.2
Amerada Petroleum	124.62	98.25	118.50	116.00	+20.6	+18.1
Gulf Oil	147.50	99.62	123.87	115.50	+24.3	+15.9
Bethlehem Steel	198.75	163.50	198.50	184.87	+21.4	+13.0
American Sugar Ref.	113.00	99.00	105.50	110.00	+6.6	+11.1
IBM	550.00	472.00	540.00	522.00	+14.4	+10.6
Boeing	65.37	54.50	61.50	60.00	+12.8	+10.1
American Smelting	59.12	50.25	57.50	54.75	+14.4	+9.0
Union Carbide	133.37	104.62	115.75	112.37	+10.6	+7.4
Allegheny Ludlum	64.50	54.12	63.12	58.12	+16.6	+7.4
American Cyanamid	79.50	70.00	79.50	75.12	+13.6	+7.3
Standard Oil (N. J.)	62.62	53.87	58.75	57.75	+9.1	+7.2
International Paper	144.50	98.50	105.00	104.75	+6.6	+6.3
E. I. duPont	237.00	175.12	192.75	185.25	+10.1	+5.8
Goodyear Tire	84.00	73.12	83.37	77.00	+14.0	+5.3
Air Reduction	52.00	46.50	50.50	48.75	+8.6	+4.8
W. Va. Pulp & Paper	63.00	45.00	43.25	46.25	-3.9	+2.8
Stauffer Chem.	81.00	65.50	70.75	67.25	+8.0	+2.7
Eastman Kodak	100.75	87.00	87.75	88.87	+0.9	+2.1
Chrysler	87.00	65.87	70.00	67.25	+6.3	+2.1
Ford	70.50	53.50	54.12	54.50	+1.2	+1.9
Mead Corp.	41.50	36.00	36.25	36.50	+0.7	+1.4
National Dairy	42.62	36.25	38.25	36.75	+5.5	+1.4
Jones & Laughlin	62.50	55.25	61.50	56.00	+11.3	+1.4
U. S. Steel	73.75	66.50	73.50	66.87	+10.5	+0.6
Kennecott	147.50	121.00	127.62	121.75	+5.5	+0.6
Anaconda	87.75	70.00	72.00	70.25	+2.9	+0.4
Borden	64.00	56.75	57.00	55.75	+0.4	-1.8
Food Machinery	77.00	60.50	62.00	59.25	+2.5	-2.1
Dow Chemical	82.87	66.25	67.12	64.62	+1.3	-2.5
General Foods	50.62	43.62	43.50	42.37	-0.3	-2.9
General Motors	49.25	42.25	44.00	40.75	+4.1	-3.6
Armco	69.62	64.00	65.50	60.87	+2.3	-4.9
Zenith Radio	141.25	102.00	104.00	96.50	+2.0	-5.4



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Michigan folks speak of The J. L. Hudson department store, in Detroit, with a degree of affection rare for such a giant. Hudson's merits this in many ways, especially in *service*—an increasingly costly item these days.

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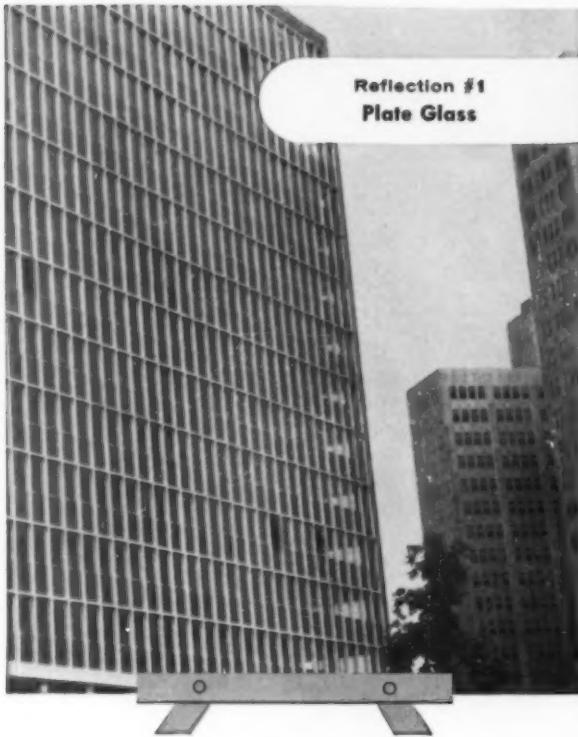
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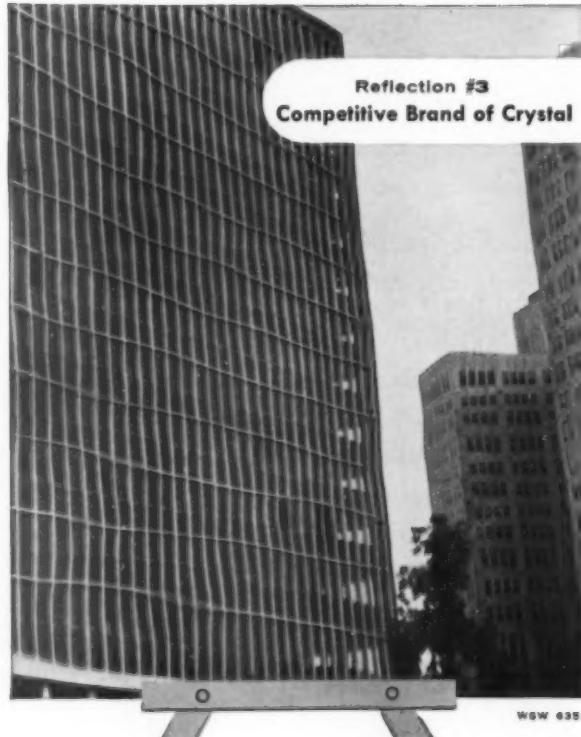
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PERSONAL BUSINESS

BUSINESS WEEK
JAN. 19, 1957



The talk about fire insurance rates going up in the next few months isn't all hot air. As a homeowner, you may be able to side-step a 5% to 10% rate boost. If your present fire and extended coverage policy expires in the next 12 months or so, you can guarantee yourself the present rate for several years by canceling it now and signing up for a new long-term policy. You can get three years' coverage for 2½ times the cost of a separate one-year policy, and five years for four times the one-year cost. Sign again with the same company; you'll take a loss on your cancellation if you switch to another.

Crushing fire losses in 1956 (about 10% higher than in 1955) are back of the insurance industry's drive for higher rates. Insurance companies across the nation will battle state rate-fixing authorities for a boost in fire rates, and to a lesser extent in extended coverages—including windstorm, theft, explosion, etc. Package policies that give a combination coverage for a reduced rate will go up, too.

There's an even more basic reason for reviewing your coverage than the chance to save on rates. You may find that you are both underinsured for fire and underprotected to meet other types of losses and liabilities. (You could be overinsured, but that's unlikely.)

In case of a total fire loss, the insurance company pays you on the basis of the actual cash value of your house—that is, present-day replacement cost minus depreciation. You get the maximum only if the actual cash value is as much as the maximum, or more. Since building costs have gone up so much, and because depreciation usually is a relatively small factor, there's a good chance that you are underinsured—that the actual value of your house today is a good deal more than the top coverage afforded by your policy. (This assumes that you, like many homeowners, have allowed insurance coverage to drag for years at the same level.) Of course, if your property has depreciated tremendously, the reverse could be true—you might be overinsured.

Another way to handle your coverage is to get fire insurance with the payoff based on replacement cost alone, with no deduction for depreciation. This is available if you keep your policy up to the level of replacement cost. The rate stays the same, but you pay a higher premium for higher coverage. A disadvantage to this type of policy is that it probably would stipulate that you rebuild on the same grounds. (All these rules apply to partial losses, too, but there the practical result depends a lot on dickering for a favorable adjustment of the claim.)

To peg your policy to the actual value of your house, you need an up-to-date appraisal. This may be worth the expense of hiring a professional. He'll know all about local construction and repair costs, and can help provide the evidence you would need to support a claim. His charge will run about \$25 to \$75 for an eight to 10-room house. Your insurance company might make the appraisal—free—but you may find this service slow, with a delay of six weeks or more.

You can run into trouble if you decide to carry less than total coverage—assuming you have no mortgagee to consider—if you fail to first check the policy's "co-insurance" clause. This applies to partial losses and is usually fixed at an 80% average. This means that if your house is not insured up to 80% of its value, you bear a proportionate part of any loss, depending on how far your insurance falls below the 80% figure. Say your house is

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JAN. 19, 1957

valued at \$50,000; it's insured for \$20,000, and you suffer a fire loss of \$10,000. Under an 80% co-insurance clause, you collect just \$5,000. You met only half the 80% requirement, so you bear half the loss.

Along with your review of fire coverage, you'll want to check your protection against other casualty losses and personal liability claims. In addition to the usual items—such as theft, windstorm, hail, smoke, explosion—you may want protection against some new hazard in your neighborhood—**runaway car insurance**, for example, to cover your house and property if new roads nearby have increased the traffic. Or, along with having your house, household goods and furnishings covered, you may want a **rental insurance clause** (to pay the rental value of your house if it becomes uninhabitable); or an **emergency expense clause** (to pay for extra living expenses if you and your family are forced to move to a hotel, etc.). Or, you might decide on a **comprehensive personal liability policy**, which gives you about the broadest possible protection against claims of strangers hurt on your property (BW—Oct. 27 '56, p181).

The best bet for many homeowners is a package policy that combines many kinds of coverage for a single premium. This means all types of property insurance and full liability coverage—even emergency income provisions—combined in one document at a lower price, usually 20% off. You can cancel your separate policies and re-sign for an omnibus policy with no loss. Ask your agent about A, B, and C coverage. C is the broadest, covering practically all possible losses and liabilities.

Note: **Flood insurance** (up to \$10,000) will be available in about six months; insurance agents will handle it, even though it's to be government-backed.

—•—

The National Motor Boat Show at New York's Coliseum this week is offering a fine spray of new boats and accessories. The trend is toward **more speed, more power, greater comfort**—just as in cars. Here are a few of the new designs and gadgets you'll see this year:

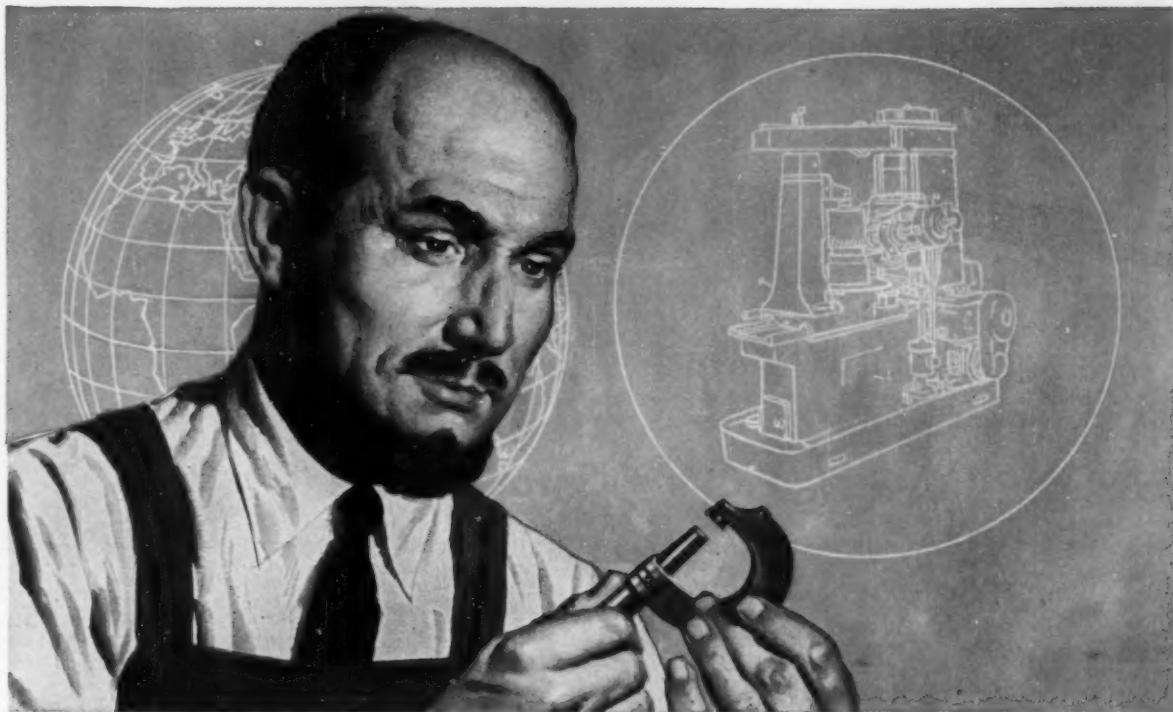
- **The first inboard runabout** with a top speed of 100 mph.—a dream boat for the hot-rod crowd. It is the 20-ft. Fiberglas Bikini (\$12,500).
- **A land-sea cruiser**, the Neptuna, for water lovers who like comfort (\$4,500). It's a 24-ft. house-trailer that takes to the roads and the water with equal ease; for use in water, its wheels are retracted and outboard motors are hooked on the stern. The sportsman model has a built-in bar.
- **A lightweight (129 lb.) 13½-ft. sailboat**, built in Holland—the Flying Dutchman, Jr.—is for both youngsters and adults. It's made of a reinforced Fiberglas material (\$970 complete).
- **A 2-hp. outboard motor for kids.** The Pony Power weighs 29 lb. (\$132).
- **Banana peel-shaped water skis** for a 360-degrees turnaround (\$42.50).
- **A portable depth indicator** (up to 125 ft.) that works like a portable radio, operates on a 6-volt wet cell rechargeable battery (\$198.50).

—•—

Manners and modes: 45-million Americans bought garden seeds last year; flower lovers outranked vegetable growers 2-to-1. . . . Now they're using more strong burley tobacco in filter tips—to get enough flavor through. . . . Retail diamonds are slated to rise about 10% within a few months. . . . A sport shirt made of Vicuna wool—with gold-sapphire buttons—will appear in a limited edition of 75 this spring. Cost: \$596.



POWERGRIP "TIMING" BELTS



"Old World Craftsmanship" is not enough . . .

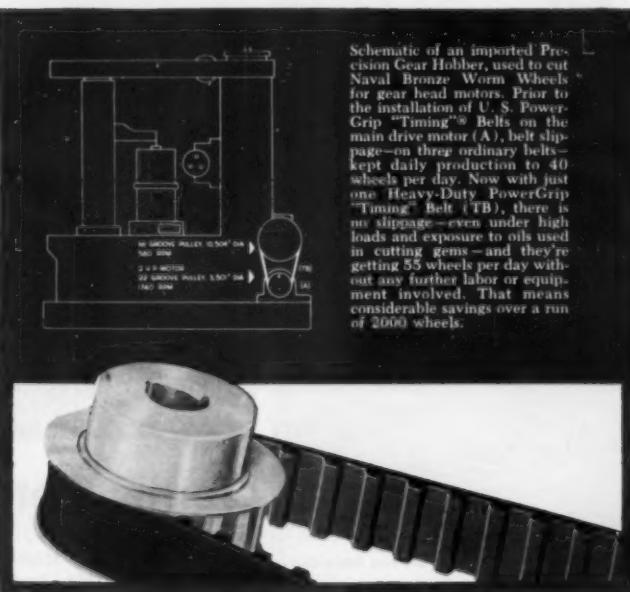
A certain hobbing machine of European manufacture is considered by many to provide the best method of cutting precision gears. But this triumph of Old World craftsmanship wasn't enough to suit one smart plant engineer. He installed a U. S. PowerGrip "Timing"® Belt and production promptly went up 37%—and wheels came out with a better finish. Naturally, this resulted in considerable cost savings.

The unique ability of U. S. PowerGrip to step up production is one of the many ways in which it simplifies and improves a power transmission unit.

For the design of hand tools, drill presses, saws, electric typewriters, machine tools, processing equipment—from fleapower to 1,000 horsepower—get U. S. PowerGrip "Timing" Belts.

These—plus expert engineering service—are obtainable at the 28 "U. S." District Sales Offices, "U. S." power transmission distributors, or contact U. S. Rubber, Mechanical Goods Div., Rockefeller Center, New York 20, N. Y. In Canada, Dominion Rubber Co., Ltd.

Schematic of an imported Precision Gear Hobber, used to cut Naval Bronze Worm Wheels for gear head motors. Prior to the installation of U. S. PowerGrip "Timing"® Belts on the main drive motor (A), belt slippage—on three ordinary belts—kept daily production to 40 wheels per day. Now with just one Heavy-Duty PowerGrip "Timing" Belt (TB), there is no slippage—even under high loads and exposure to oils used in cutting gems—and they're getting 55 wheels per day without any further labor or equipment involved. That means considerable savings over a run of 2000 wheels.



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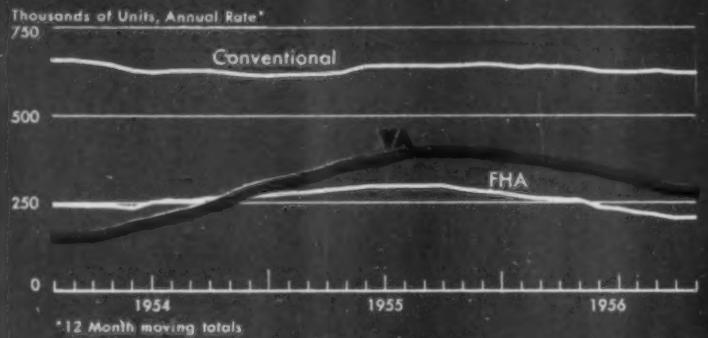
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CHARTS OF THE WEEK

Privately Owned Housing Starts



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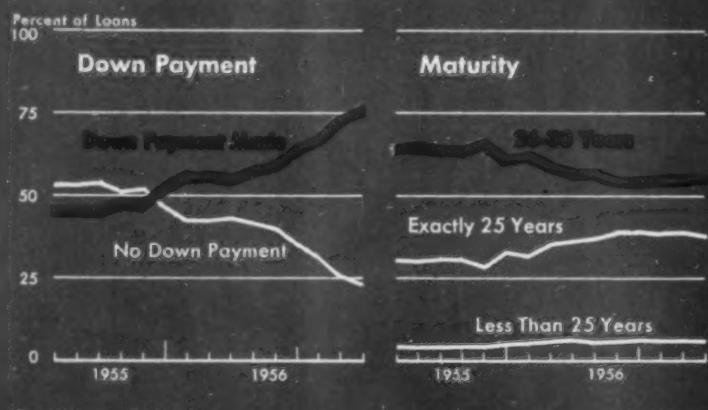
Playing Smaller Role

When you break down the total of privately owned housing starts according to type of mortgage aid, most of the 1956 decline shows up in the FHA and VA-insured units. From 1954 to 1955, starts with conventional mort-

gages edged up only 3.5%. VA-aided starts rose 28%, FHA-aided starts only 0.1% — for a combined increase of 14.8%. But from 1955 to 1956, federally aided starts slid about 30%, conventional starts only about 3%.

VA Home Loans

(New and Proposed Homes)



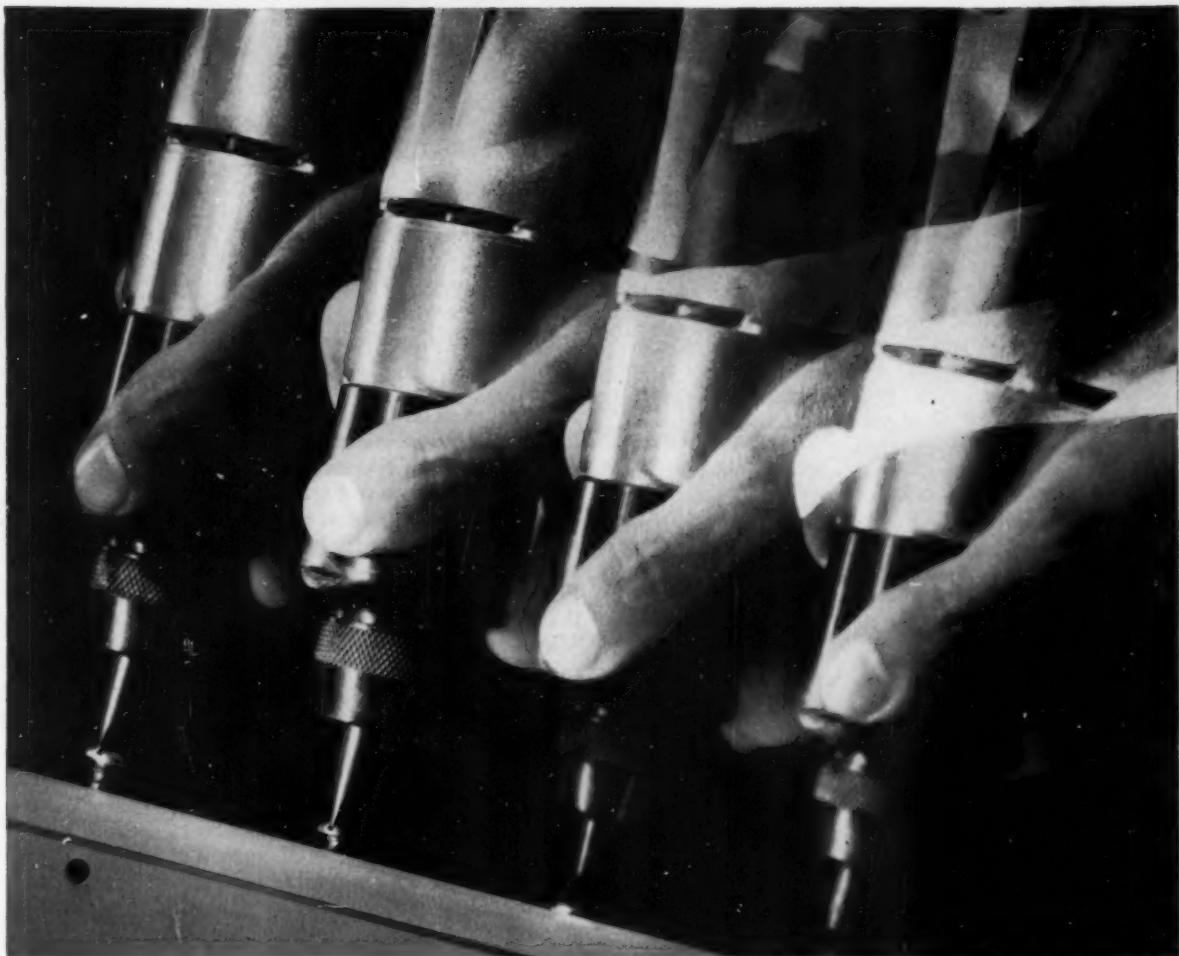
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Terms Get Tougher

Tight money is showing its marks on the trend in VA loans on new and proposed homes. Down payments are accompanying more loans than before, and maturities are shorter.

Last September, down payments were placed on 76% of the new homes on

which VA loans were secured — compared with 50% one year earlier. And, according to the latest figures, 57% of the loans (against 65% a year before) were for 26 to 30 years. Loans maturing in exactly 25 years made up about 38% of the total last September.



Is assembly one of your largest production costs?

It probably is. Wherever fastenings must be made, this simple truth applies: The cost of the fastener is but a tiny fraction of the cost of using that fastener in production. The key to reduced assembly costs is the fastener that helps high-paid assembly hands turn out better work—*faster*. The P-K® Self-tapping Screw is that fastener!

Using screws that don't come up to P-K standards can raise total assembly costs as much as 25%. Screw failures not only result in assembly slow-downs . . . but in parts spoilage and hidden weaknesses as well.

This is especially true in assembly by automation. Uniformity, such as P-K Self-tapping Screws offer, is automation's prime requirement for trouble-free assembly.

Why not talk to a Parker-Kalon Assembly Engineer—a man who is in daily contact with many different assembly set-ups. Perhaps he can show you how to reduce the number of fastenings in your product or how to solve a particularly difficult fastening problem. (That's his business.) Contact him through your local Parker-Kalon distributor.

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In Management

Foremen Put In for Overtime

As Line Workers' Pay Creeps Up

Overtime payments to line workers are boosting their total pay so much that many companies are being forced to give similar overtime wages to normally exempt foremen in order to maintain a meaningful pay differential.

A nationwide survey by the National Foremen's Institute, an organization which conducts employee development programs, found that nearly half the companies replying do pay foremen overtime.

Larger companies (more than 1,000 employees) are more likely to give the extra pay, but they are also more apt to figure it at straight time rates. Most other companies—54.6% of the total—pay on a time-and-a-half basis, and a few allow foremen the alternative of extra time off instead of the payments.

Some companies reported that they paid the overtime wages only for work done on Saturday, Sunday, or another day on which the foreman would ordinarily not have had to come to the plant.

Proposal for Economic Growth Includes Tax Write-Off for Basic Research

A proposal that money spent for basic research be credited against federal income tax was made to a special American Management Assn. conference on Commercializing Research Results. Such a move is necessary to spur the research that our growing economy makes vital, says Elisha Gray II, who is president of Whirlpool-Seeger Corp.

Gray hit at smug contentment with gross national product growth, claiming that after adjustment for price increases, growth was only 3% a year, while population growth was 1.75%. To prepare for the growth of the next decade, Gray said, "We must set our sights on nothing less than a 5% growth economy."

To prepare for this growth, management men must "become accustomed to living in an environment of accelerated change." And, Gray insists, more attention must be given to pure research. Our present "meager support" is "worse than national folly—it may be suicidal."

Brinks Gets a Senior Partner

In Stock Deal With Pittston

Brinks, Inc., has called off its battle with Pittston Co. (BW—Sep. 15 '56, p95; Apr. 28 '50, p62), and now agrees to Pittston's acquiring a majority interest in the armored car concern. Brinks will join Pittston in the application Pittston soon will make to the Interstate Commerce

MORE NEWS ABOUT MANAGEMENT ON:

- P. 176 A partnership structure tailor-made for six individualistic men.
- P. 182 GE uses computer to save time for itself and the government.

Commission to allow it to acquire the stock. Details on where and how the stock will be acquired are being kept quiet until ICC gets the information. All Brinks will say about its quick turn-around is that "objections which previously existed have now been removed."

Brinks operates in 88 cities; U. S. Trucking Corp., a competing company, owned by Pittston, does business in only four—New York, Newark, Buffalo, and Boston. Pittston promises no change in management of Brinks, but says there may be "some integration" in the four cities where both operate.

H. Edward Reeves resigned as president of Brinks at the time the announcement was made, but company spokesmen insist that there is no connection between the two events, that Reeves approved of the acquisition by Pittston, and that he will continue to be connected with the company "for a long time" as a consultant. E. E. Murphy moved up from his vice-president-secretary job to president.

• • •

Management Briefs

Kaiser Aluminum & Chemical Co. is expanding its wire and cable business by adding new types of insulated copper and aluminum conductors. To do this, Kaiser has bought the wire and cable business of U. S. Rubber Co., including its Bristol (R. I.) plant, for an undisclosed amount. Trade sources estimate the sales price at about \$64-million.

Economics is being taught at breakfast at Central States Paper & Bag Co. in St. Louis. The special instruction is given by Washington University on company time every other Tuesday over bacon and eggs. Thirty of the "younger employees," ranging from shop foremen to vice-presidents, take the course—which covers all phases of fiscal policy and international economics.

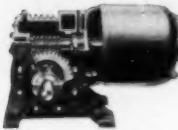
A person forced by unusual circumstances to steal from an organization would probably pick a big business as his victim, according to a special report made by Erwin O. Smigel, sociology professor at Indiana University. More than 60% of those questioned would pick on big business ahead of small business and government. Most commonly given reason: Big corporations "can afford it best." The study also showed that while most disapprove of stealing in any form, they feel most strongly opposed to cheating small businesses.

How to avoid "engineeringese" is the subject of a new booklet that the Minneapolis-Honeywell Regulator Co. has distributed to its technical writers in hopes of getting them to produce more readable copy. Sample "commandment": "Thou shalt not substitute adjectives for facts." Copies are available from C. W. Bowden at the company's Brown Instrument Div. in Philadelphia.

Nothing Cuckoo about this clock!

You may not need clock drives, but time (production time) is a problem everywhere—and that calls for the most dependable, most efficient use of electric drives—like here! This clock, with 300 lbs. of hands and four 24-foot dials is powered by a Master Gearmotor driving a precision gear train. With that accurate Master drive, here's a one-jewel clock!

Are you sure you've got the right answer to your drive requirements? Master components can be integrated in any combination to give you the right horsepower, right shaft speed, right mounting features, in a single, efficient, compact unit. Now's the time to let us prove it.



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Motor Ratings..... $\frac{1}{6}$ to 400 H.P. All phases, voltages, frequencies.

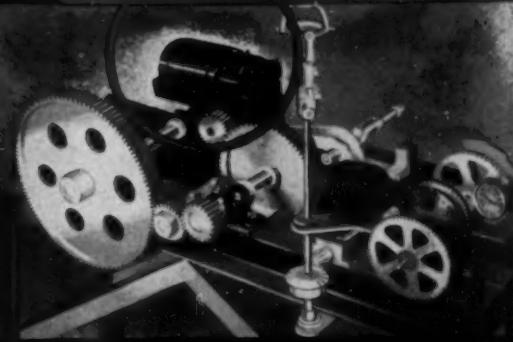
Motor Types.....Squirrel cage, slip ring, synchronous, repulsion-start induction, capacitor, direct current.

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Speeds.....Single-speed, multi-speed, and variable speed.

Installation.....Horizontal and vertical, with or without flanges and other features.

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Features**.....Electric brakes (2 types)—5 types of gear reduction up to 432 to 1 ratio. Mechanical and electronic variable speed units—fluid drives—every type of mounting.



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These six men all are equal partners in the Los Angeles architecture and engineering firm of Daniel, Mann, Johnson & Mendenhall. In some respects, their personalities are strikingly different—two are extroverts, one an introvert, and several whose lives revolve about their profession have an aversion to business details. The original partners got along fine until their business started to get big—then they started to pull in different directions. This nearly wrecked the firm. But through six years of trial and error, the partners evolved a management structure suitable for a large partnership that would allow them to work together and prosper.



Arthur E. Mann



S. Kenneth Johnson

Six Partners With Six Personalities

The six men pictured above spent this week at their annual partnership meeting polishing up the unique management structure that runs their firm—Daniel, Mann, Johnson & Mendenhall of Los Angeles.

All are equal owners of the large architecture and engineering firm, which has 335 employees, \$5-million in billings, and handles jobs all over the world. Yet all the partners take orders as employees of the firm, too. But the really unusual feature of the firm's management structure is that it has been adapted to suit the partners widely different personalities rather than to follow any traditional lines of business organization. It wasn't an easy job—it took six years; but in handling it, the partners resolved plenty of problems

plaguing other managements across the country.

The current chairman of the partnership is Philip Daniel, a driving extrovert who makes instantaneous decisions. He's gregarious and fun loving and a hard worker.

S. Kenneth Johnson also is an extrovert and a hard driver. He loves to join organizations and make speeches. As a boy, he was a player in the "Our Gang" comedies.

The other partners are not so alike. Arthur Mann is a creative architect with a passion for creating beautiful buildings. He's an emotional man with a deep conscience. He flies into a rage at architects who seal buildings up like tombs.

Irvan F. Mendenhall is a brilliant and

much honored engineer who hates to be bothered with routine business details. He is fascinated by diversified projects like super highways, monorail transit.

Douglas A. Russell is the introvert of the firm. He likes to think and plan ahead. He keeps his dictating machine constantly at his side—in his car and by his bed at night—so he won't lose any ideas.

Stanley A. Moe is an urbane person who gets along well with foreigners. He has represented the firm abroad and his diplomatic skill has made him the firm's trouble shooter. He has a good background in the socio-economic fields as well as in architecture and engineering.

Today, one of the major concerns of the firm is the well-being of each of the



Philip J. Daniel



Irvin F. Mendenhall



Stanley A. Moe



Douglas A. Russell

-Asset or Curse?

partners—giving him a chance to realize his personal and professional aspirations.

"Happiness is one thing we indulge in," says Daniel. "Partners must be happy and satisfied in their jobs. This includes professional pride, respect in their jobs, a feeling of utilization, and doing the type of work they like."

And that's not just talk either. At the DMJM three-day annual meeting, the partners discussed their long-range personal plans. They hashed over such items as the types of homes they want, salaries, standard of living, how many years they want to work, the amount and kind of travel they want, how much time they want to devote to business, professional activities, public affairs.

Another interesting aspect of the DMJM setup is how well the partners

play their dual roles—as owners and as employees. This was something they had to learn the hard way, but it was necessary if they were to keep their business humming—and themselves speaking to one another.

I. The Problem

Small partnerships are not faced with big management problems simply because they are small. In the case of an architectural firm, the partners would probably settle such problems as arose by talking it over while they worked at their boards.

But DMJM, in graduating from a small office designing schools to a worldwide business, developed problems more difficult than many good-sized corpora-

tions face. A professional partnership cannot take refuge in the impersonal corporation hierarchy. The business is too intimate and personal. That's not just because the partners have such direct ownership, but also because they are the chief professionals of their professional service.

• **Human Factor**—You might ask why the partners couldn't hire a team of managers to run the "business" side of the partnership and then become overseers of this machinery. But this runs contrary to human nature. It would be next to impossible for the owners to slough off the responsibility for their own future when every day they find themselves in the midst of developments that affect it.

The only way out was for the partners to try to govern the business as a partnership for policy matters, then change character and become employees for day-to-day operations.

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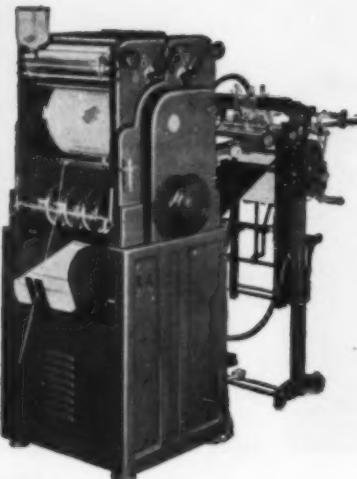
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there were more than two partners to keep happy and that their business was getting bigger all the time. The partners admit that the stresses and strains in evolving the management structure they now thrive on nearly wrecked the firm.

• **Soul-Searching**—But before they were through, the partners' soul-searching invaded their social life and economic life as well. They worked out a code of partnership ethics, placed restrictions on their social activities, and geared their business and personal investments to a long-range plan.

II. Search for a Solution

The quest for a solution to the firm's management problem began in 1949. At that time the firm, then Daniel, Mann & Johnson, was already suffering growing pains after being reactivated following World War II. Although more business was coming in, the partnership was making less money. It stood on the brink of bankruptcy.

Phil Daniel, describes the situation as grim: "We knew the business needed managing, but each of us thought he should do it, and nobody could get three votes."

In the meantime, old friendships that dated back to college days were dissolving in suspicion and quarrels.

The partners first attacked their problem by taking psychological tests to try to find out why they now were having difficulties getting along with one another, although they got along fine when the firm was small. The tests showed they were all normal but were getting ulcers because they had a tough management problem which they lacked the experience or structure to handle. And each partner had a different concept of what the firm should be and where it should go.

• **Outside Help**—The next thing they tried was a management consulting firm. The partners went to Booz, Allen & Hamilton, which assigned a staff man — Douglas A. Russell — to work with them.

A six-week survey made by Russell impressed the partners so favorably that they asked him to come to work for them permanently. Russell signed a 12-month management contract with the firm, but attached these conditions.

• That he be given complete control of the business, including the purse strings, with the partners reporting to him.

• That, in return for his guarantee to increase the partners' salaries to insure them take-home pay higher than any previous year, he would get 40% of the firm's remaining net income, with the partners splitting the other 60%.

• **New Setup**—One of Russell's first major tasks was to decide whether to departmentalize the firm, with the part-

ners in charge, or to run as many separate businesses as there were partners. Under the second arrangement, there would be in effect a selling company, a design company, and a construction supervision company.

Russell was convinced that the trend in architecture and engineering was to bigger and bigger projects. So he decided DMJM would do better if it continued to operate as one firm, but broken down into departments. Under this setup, partners either would take charge of a line position in the firm, such as business development, or would take charge of a major professional field, such as head of school and commercial building architecture.

• **Branching Out**—Russell also recommended that the partners bring the engineering work inside the firm instead of contracting it out. By professional practice, most architects subcontract as much as 65% to 70% of the business.

The partners went along with Russell and brought electrical and mechanical engineering into their operation. They went a step further and took in structural engineering in the person of Irvin F. Mendenhall, whom they made a partner. Now DMJM doesn't parcel out any of the engineering work at all.

Most of the rest of Russell's work was establishing business controls, and accounting methods and so on.

• **Success**—Before nine months had passed, it was clear the firm was on solid ground and that Russell would walk off with a big chunk of dough—enough to buy a share in the partnership. So, the partners tore up the old partnership agreement and made a new one, with Russell as the fifth partner, bearing the title "general manager."

• **Ironical Twist**—But did the partners live happily ever after? No. A rather ironical thing happened. Says Russell: "When I had a contract to run the firm, they had to do as I said; but when I became a partner, they considered I was just one of the gang, so I had less control than when I was an employee." The partners went back to their habit of managing in different directions.

The controls Russell established and the professional management methods he had grafted on the business did keep the firm solvent and growing. But there still was no solution to the nagging question of what should be the true management structure of a large partnership.

• **Musical Chairs**—For several years all the firm's big decisions were made through compromise and committee. The partners played musical chairs to determine who was best suited to do what, and discover any latent management skills. For the most part, they discovered their own inadequacies. But this was to the good; it made them humble.

• **Specific Problems**—During this pe-

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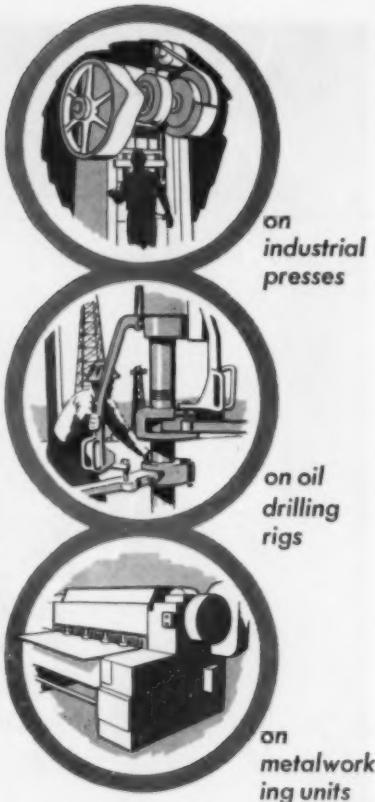
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riod, a number of outstanding management problems plagued the partnership:

- Friction caused by suspicions of some of the partners that at least one of the other partners wasn't pulling his weight.
- A breakdown in communications.
- Partners "pulling rank" and operating outside the organization limits.
- Confusion over what the duties of the partners should be.
- Lack of coordination in such things as hiring.

The problem of what happens when one partner is not carrying his weight can be the most serious in a partnership, according to Russell. And it nearly wrecked DMJM. The problem was solved partly by the musical chairs routine and partly through the development of a philosophy of partnership. The partners all came to realize that as the firm changed in size, complexity, problems, and people, there would inevitably come a time when partners who formerly were carrying a big load might find their work easing off. Over a period of time, the balance shifts back and forth.

This question was important enough, however, to be placed at the top of the list of DMJM's Code of Partnership Ethics. The first article reads: "Acceptance by each member of the management of this firm of his pro rata share of responsibility for the getting of the business and the handling of it." The code also pledges the partners to refrain from making disparaging remarks about one another and from taking arbitrary positions.

Another way DMJM solved the problem was to go after so much business that everybody had more than enough big tasks to keep him occupied.

• **Communications Difficulty**—Also during the compromise and committee phase, the partnership reached a stage where there was a general feeling that nobody really knew what was going on. Time and again discussions among partners would end with one of them exploding, "Don't ask me; I don't know what is going on here."

One day the general manager asked the other partners what they felt they ought to know. Nobody could pin it down. So he snowed them under with copies of everything. Finally, the flood of paper was reduced to copies of the same weekly reports that the departments and the subdepartments send to the general manager. This information is not needed in the day-to-day operations by the partners, but it is something that they feel they need as owners.

The problem of pulling rank cropped up in several ways. A partner might go



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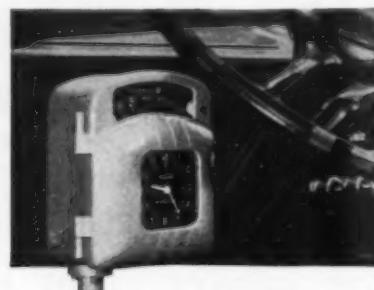


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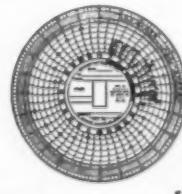
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into the drafting room and say, "I don't like that," and he'd upset the whole routine. More often it happened more subtly. A partner would talk to an employee out of the chain of command, but the employee would interpret whatever he said as a command.

III. Turning the Corner

These problems were all settled by a return to a true general-manager type of operation. Early in 1954, says Daniel, the partners turned the corner and understood that management of a big partnership is tough, that it requires a real head of the business and a real organization to run it.

• **Chain of Command**—Control now works like this:

• Partners and employees all report in a regular-line organization to the general manager, Douglas A. Russell. He is the boss.

• Directly under the general manager are four principal line jobs, only one of which is headed by a partner. The four are: business development, headed by partner Daniel; domestic operations, T. K. Kutay; foreign operations, Aubrey Horn; and business services headed by controller, J. C. Handley.

• To one side, but still reporting to the general manager, are the other partners heading up the important professional departments. Mann has overall responsibility for schools and commercial buildings; Johnson is the top man on military projects and industrial buildings; Mendenhall is in charge of engineering. Moe, who has been resident partner in England, will soon become assistant general manager, freeing Russell for long-range planning and direction of DMJM's diversification program.

• **Dual Role**—The partners sit together as owners for policy matters. But once the meeting is dissolved, they are all employees of the partnership and under control of the general manager. Any partner can be assigned to any job in the firm without loss of prestige or pride. Adjustments in assignments are made only by partnership action.

The annual partnership meeting runs three or four days. Here the partners reestablish objectives, discuss the next partnership assignments and review the long-range plans. The general manager also reports on the happiness, fruitfulness, and suitability of each partner in his job.

A scheduled partnership meeting is also held once a month. And the partners try to hold at least one more partnership meeting each month, if time allows.

However, as Russell discovered when he became a partner, there is a real need to protect each partner's feeling of ownership and personal responsibility



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for the well-being of the firm. To accomplish this, a series of checks and balances on the line organization have been established, most of them functioning purely as safety valves.

• **Checks and Balances**—In the partnership meetings themselves, all decisions have to be unanimous. If one partner objects to an action, it is up to the others to win him over. If they can't, the matter is dropped.

In the day-to-day operations, if any partner in a line or staff position is unable to sell his point of view to the general manager or if he believes the general manager is taking action contrary to the health of the business, he can ask for an airing. This happens maybe twice a year.

Likewise, if a partner steps out of line and doesn't want to act like an employee, the general manager can haul him before a partnership meeting. This provision has never been used.

• **Work Assignments**—The job assignments of the partners seem to be pretty much desk type of work. But the partners retain their professional touch in several ways. First the partners themselves are the design committee, and they pass on all designs. Because design is the backbone of the firm, they engage in design critique, instruction, and direction throughout the projects.

Also at least once a year, each partner takes full charge of a project and sees it through. One partner is assigned to every project as a matter of course, in addition to the project manager who looks after the day-to-day details. This assures a higher professional quality to the work, and it gives the partners the professional satisfaction they desire.

• **Personal Restrictions**—DMJM's organizational zeal didn't stop at the shop. It carried right over into the private lives of the partners as well.

All partners draw the same salary. But they are permitted to take only half of it home. The rest stays in the pot for personal taxes and for plowing back into the business. All partnership profits are likewise put into a capital account to assure the growth of the firm. Daniel says: "Most professionals tend to live too high on the hog; they live up all the profits and then some. Our aim is to increase our personal standard of living slowly and use the rest of the money to build permanence and stability into the firm."

The partners also decided a long time ago against developing a too intimate social contact with one another. Each has built his own social life and they meet together socially with wives only about once a year. This way, they feel, they can keep their wives from comparing notes—or minks—that might lead to complications that would interfere with their smooth business operation.

Time-Saving Tape

GE has harnessed big computers to tape payroll data for Social Security and end hours of typing.

A neat little 2-lb. package of tape has replaced 900 bulky pages of type-written reports that General Electric used to ship every three months from its Schenectady headquarters to the Social Security people in Baltimore. For this masterpiece of condensation, the thanks go to the modern, large-scale digital computer—and a new application of its talents that may mean a revolution in the sending of information.

GE's 2-lb. bundle consists of electronically magnetized tape with quarterly data on employee earnings that the Federal Bureau of Old-Age and Survivors Insurance finds fascinating. Such information cascades upon the BOASI about a total of 58-million U. S. workers every three months. Traditionally, it has come to them in this way:

• Form 941 is sent by employers to the Bureau of Internal Revenue with the name, Social Security number, and total earnings (up to \$4,200) of each employee.

• Internal Revenue checks the arithmetic, credits the BOASI account with what it's due, then passes the reports on to Baltimore.

• There, each worker's Social Security account gets credit for his latest contributions. In this process, the Baltimore staff punches cards on each item and, in some cases, transfers the data from cards to tape.

• **Enter Automation**—But a few companies now assign their payroll chores to giant computers. The machines gobble up all the information necessary to calculate the payroll and then produce a tape, which is used to operate a printer that types all the pay checks. As GE discovered, an extra tape can be made at the same time, with all that Internal Revenue and Social Security crave to know. Hermetically sealed in a plastic bag, it can be dispatched straight to Baltimore and Social Security's IBM machines. To Washington goes only a cover sheet, with the payroll totals.

The idea for this streamlined system came from John Ogle, a procedures analyst in GE's data processing division. Enthusiastic in advance, Internal Revenue and Social Security told GE to file its next quarterly report both on tape and the conventional form 941, just in case. But right from the start, "everything jibed," as one happy official of Revenue put it.

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the process, in fact, that it's urging other big companies to follow GE's suit. So far, none has gone so far as to commit itself. But the system is under active consideration by Esso Standard Oil Co., International Harvester Co., Westinghouse Electric Corp., Firestone Tire & Rubber Co., Continental Casualty Co., Foremost Dairies, Inc., and others. All in all, about 175 companies have giant tape computers that could conceivably be put to work this way.

• **Money Matters**—GE can muster no statistics to show how much money its new system saves. For one thing, only slightly more than 10% of the 280,000 GE employees are affected at the moment. But the company is sure that the economies in typing time alone are enough to justify expanding the plan to other GE divisions equipped with computers.

For Social Security, the tapes save 10 man-days of card punching. Costs are higher, but the bureau figures that the system will save money as well as time when more companies participate.

Whether the system would be advantageous to other companies hinges on such factors as state laws. Many states require employee earning reports for their unemployment compensation records, and, in most cases, a carbon copy of the 941 report suffices. If reports to the state still have to be typed, a company may not benefit in taping the data for Social Security. It might be possible, however, to prepare these state reports automatically, by running the Social Security tape through a printer.

Even without a savings bonanza, though, many companies may well join the GE parade. As one official at Westinghouse said: "We'll probably go ahead and do it, if it's some saving to Uncle Sam and small cost to us."

• **Mechanical Problem**—One difficulty is the incompatibility of some equipment. IBM computers (such as those in Social Security's Baltimore office) can't use tapes magnetized on Remington-Rand Univacs or other makes. No machine so far available will make a tape for use on IBM equipment from another system's tape. Perhaps the bureau will order such a device—which would mean helping to pay the development costs. However, even now it might be able to employ Univac tapes, from which cards can be punched with a unit available at present. From the cards an IBM tape could be produced. Would this pay? That Social Security has to determine in each individual case.

But wherever the experts turn for solutions, they can be satisfied that two hurdles are passed. GE has proved that two separate organizations can share taped data amiably—and that a tape can travel like any other piece of freight without losing a word of its magnetized message. **END**

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The President Looks Ahead

Pres. Eisenhower has submitted to Congress the largest peacetime budget in our history (page 25). It is designed to meet the requirements of international tension, the military, and a growing America.

The economic implications of this sizable boost in federal spending are important—particularly in view of the President's emphasis in his State of the Union Message on the danger of inflation.

At first, a \$3-billion increase in federal expenditures would not appear to add to inflationary pressures, for tax receipts are also going up sharply. In fiscal 1958, the Administrative budget, according to Treasury Secy. George M. Humphrey, will show a \$1.6-billion surplus.

Unfortunately, this is not the whole story. For the government expenditures are not distributed evenly over the economy. Rather, given the heavy emphasis on military hardware, roads, schools, and power development, federal spending tends to be concentrated on those materials and industries that the still-growing capital spending boom has been putting under heavy pressure. The results are shortages and climbing prices.

The President, therefore, was in earnest in issuing his call to business and labor for help in preventing inflation. Moreover, the President's injunction seems to be pointed more at business than at labor.

The fact is that wage negotiations in 1957 will be less influential on the economy as a whole than were last year's settlements. The critical wage contracts for this year—calling for boosts of 6¢ to 8¢—have already been set under long-term contracts.

The President did voice his Administration's general concern about labor matters in calling for a closer relation between wage increases and rising productivity. The President's focus on productivity should put pressure on government economists—and the legislators who provide the funds—to advance our understanding of productivity.

Eisenhower's lecture to the business community has immediate impact, for there is danger that, in some critical sectors, businessmen will raise prices because they feel they can get away with it. This might lead others to speculate on inventory.

The thought implicit in the President's warning was that inflation begets deflation. This is the real danger that arises from a lack of restraint.

If business puts through unjustified price hikes, and labor follows with demands for higher wages that are met by still higher prices, then a decline will be inevitable—for the Federal Reserve will have to tighten credit to the point of discouraging both speculative and legitimate borrowing. Then business is likely to pull in its horns and defer expansion.

The President refrained from putting this into

words because we are not yet faced with deflation. But the boom has been running into heavy resistances—which adds point to his concern. For a final inflationary bubble, when output is leveling off and when imbalances are showing up, has usually been the last act of booms. With the U.S. economy now balancing at a very high level, the period ahead will be delicate and critical. An inflationary outbreak this year could add greatly to the economy's problems.

With the economy so balanced, the President's main point is a clear call for restraint by the leaders of industry in raising prices—and on unions to think twice before starting new drives for wage increases. Nobody wins if either group is selfish and starts that last bubble sailing—to come to the inevitable bust.

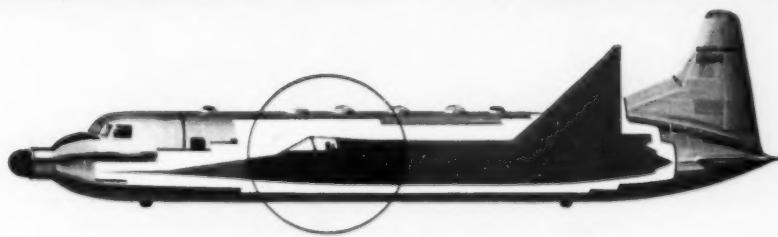
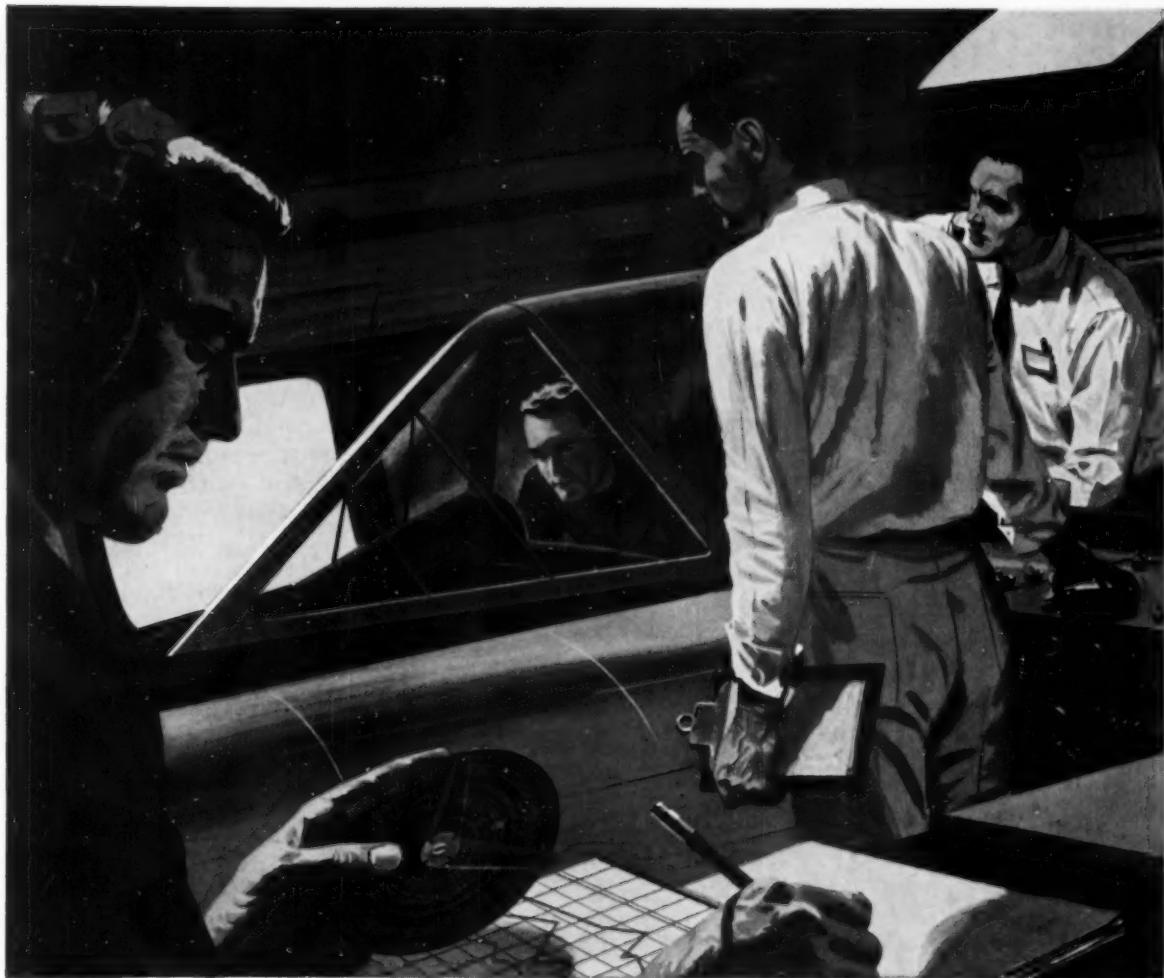
For European Unity

It is significant that Prime Minister Macmillan (page 34) made it a first order of business this week to discuss the question of European unity, and Britain's part in it, with Belgium's Paul Henri Spaak, a leading "European" who is about to take over the post as Secretary General of NATO. This may well mean that Macmillan has decided that creation of a united Europe must be the primary object of British foreign policy.

The composition of Macmillan's cabinet likewise suggests that this is the case. For Chancellor of the Exchequer, Macmillan has picked Peter Thorneycroft who, as President of the Board of Trade, took the same keen interest last year as Macmillan did in pushing Britain toward "free trade with Europe." Another advocate of unity with Europe, Foreign Secy. Selwyn Lloyd, has been kept at his post, even though he was one of the chief architects of Sir Anthony Eden's abortive Suez adventure.

The new Prime Minister, of course, has a long personal record of support for a united Europe. Even more important is the fact that last year, as Chancellor of the Exchequer, he had British Treasury officials hard at work examining the long-term outlook for the British economy—with the conclusion that Britain's best prospects for prosperity lie in close economic ties with the Continent.

After all that has been said since Eden's resignation about the new opportunity for restoring the Anglo-American partnership, Macmillan's interest in Europe may not seem like the right order of priorities. But we are inclined to think that it is. In fact, we suspect that Macmillan has chosen just the right approach to restoring Britain's stock in the U.S. and in the free world generally.



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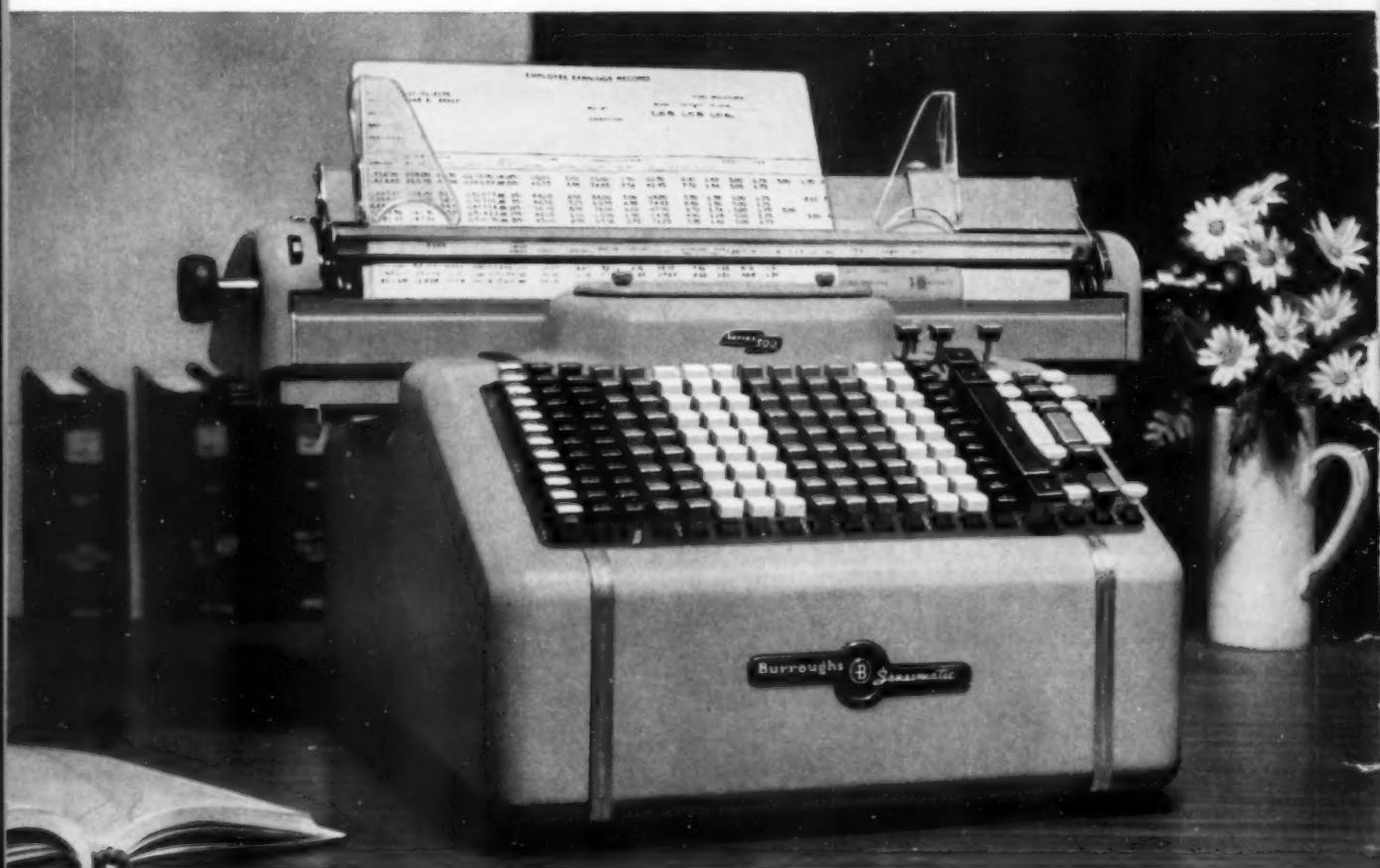
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